

BUSINESS WEEK

JUNE 22, 1946

Economics
Library

JUN 24 1946



Frank W. Abrams: His Standard Oil Co. (N. J.), a "monopoly" 35 years ago, now competes with a host of offspring (page 8)

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UNIVERSITY OF MICHIGAN
ANN ARBOR MICH
JUN 24 1946

LITTLE RED RIDING HOOD

(1946 Version)

LITTLE RED RIDING HOOD was in business as a gardener. She worked hard, provided jobs for several neighbors, and prospered.

One day she was going to her grandmother's house with a basket of food, because her grandmother had lent her the money to start in business and Little Red Riding Hood, being intelligent, knew she and her workmen owed their livelihoods to the old lady, and so paid her a return by a basket of food every week.

Approaching her grandmother's, Little Red Riding Hood met a snarling animal. "A wolf", she screamed. "He'll steal my profits and keep them from grandmother."

"No," said the wolf, "I believe in democracy. I believe in free enterprise." Whereat he ran away through the woods and Little Red Riding Hood, as she proceeded, thought she heard a faint horselaugh but surely it could not be true because that had been a wolf.

Now the wolf rushed to the grandmother's cottage and, although he *said* he believed in free enterprise, he ate her up, justifying himself by saying that as she was not a laborer herself, she had no rights in the world.

And the wolf put on the old lady's

clothing which made him look exactly like a free enterpriser, and climbed into the old lady's bed.

Enter Little Red Riding Hood. "Why, Grandma, how you've changed!"

"Not at all, my dear, it's the times that have changed. We're in the century of the more abundant life." (Under his breath the wolf made a vow to find out some time what this more abundant life was that he talked so much about.)

"But, Grandma, what a big mouth you have."

"The better to defame you with, my dear."

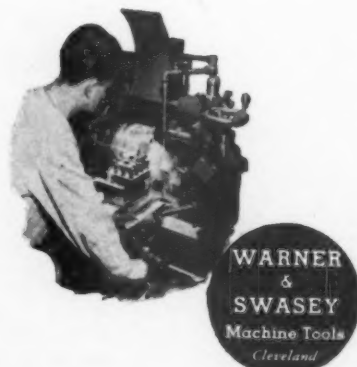
"But, Grandma, what big taxes you have!"

"The better to eat you with, my dear."

Whereat the wolf threw off the disguise of a free enterpriser, stood revealed as a ravenous radical, and leaped at the little girl.

But just in the nick of time it rushed a young woodsman who had just returned from war and wanted a job in Little Red Riding Hood gardening company. He was going to see his prospective employer devoured, and anyway when he had been fighting, the country was full of just such wolves and he had no use for them.

So he killed the beast, took its hide to sell (for he believed in business at a profit) and went off with his new employer to live happily ever after—or at least until another wolf thought up the gag about posing as a friend of democracy and maybe this time getting away with it.



YOU CAN MACHINE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY TURRET LATHES AND TAPPING MACHINES

A development of
B.F. Goodrich
FIRST IN RUBBER



75 million smacks on its rubber face

A typical example of B. F. Goodrich development in rubber

THOSE pine logs are on their way to being paper. After the bark is removed, the logs—some 5 feet long and 2 feet across—are dumped onto a moving belt; edgewise, endwise, or any way they happen to tumble from the debarking drum. Standing on the belt, workmen sort the logs, throwing out the bad ones, letting the good ones travel on to the pulp grinding room.

Steel conveyors are generally used in mills like this because the crashing logs would tear ordinary rubber and cotton belts to shreds in no time. But steel conveyors slow down the workmen—

and production—and they're expensive to keep in shape. Looking for a better way to handle the logs when this mill was built, the manufacturer heard of a new kind of belt, developed and manufactured by B. F. Goodrich. Called a cord belt, it is made with each separate cord in each ply surrounded by rubber. Then, for good measure, an added ply with the cords running crosswise is placed on top. This permits the belt to stretch both ways and so absorb the crushing blows of logs—or rocks or lumps of coal.

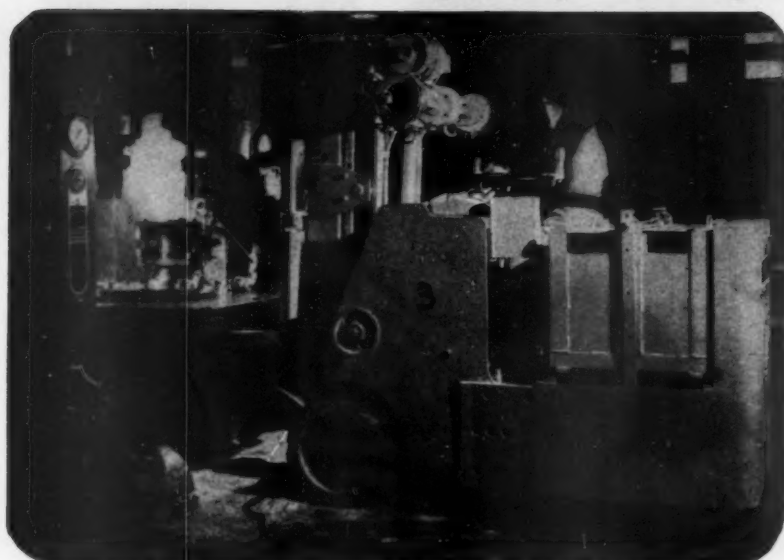
The cord belt in the picture was installed, and in 6 years 75 million logs

have poured onto it from the debarking drum. The belt is still in service and good for more millions of smacks on its rubber face.

The development of products like the cord belt—and thousands of others—by B. F. Goodrich show why your B. F. Goodrich distributor can almost always help you solve any problem involving the use of rubber—natural or synthetic. And if he can't, just write *Industrial Products Division, The B. F. Goodrich Company, Akron, Ohio.*

B.F. Goodrich
 RUBBER and SYNTHETIC products

Use BATTERY TRUCKS for Speedy Set-ups



Changing the punch on the ram of this press is simplified by use of a fork-lift truck. New developments in handling methods appear regularly in STORAGE BATTERY POWER. Write for a sample copy if you do not already receive it.



...ALKALINE BATTERIES for 24-Hour Power

CHANGING large, heavy dies on huge production presses is one of the many handling operations that are being speeded up in numerous plants by means of battery industrial trucks. They enable one man to do the job of several in much less time, thereby increasing production efficiency of the presses. Further economies are effected by using the same trucks for storing idle dies in space-saving tiered racks.

A battery industrial truck has natural advantages for simplifying such handling jobs because of its superior maneuverability, high availability and dependable operation. Exchange batteries keep the truck continuously supplied with power. While one battery operates the truck, another is being charged. Except for the few minutes needed to exchange batteries, the truck need not stop for servicing its power

unit. Its electric motor drives have a minimum of wearing parts; are inherently simple and trouble-free. The truck starts instantly; accelerates smoothly; operates quickly; gives off no fumes; consumes no power during stops. Not only does it make efficient use of power but the current used for battery charging is the lowest-cost power available.

Altogether, the battery industrial truck is one of the most dependable and economical types of handling equipment—especially when powered by Edison Alkaline Batteries. With steel cell construction, a solution that is a preservative of steel, and a fool-proof electrochemical principle of operation, they are the most durable, longest lived and most trouble-free of all batteries. *Edison Storage Battery Division of Thomas A. Edison, Incorporated, West Orange, N. J.*

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BUSINESS WEEK

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will have to go much higher if they stay at a high percentage of capacity once the pipelines are filled. Apart from the wind-up of reconstruction, OWMR—perhaps under another name—can have a future as a permanent staff for the President. One thing changed Truman's mind about the agency was the protests received from government agencies that have been using OWMR as a coordinating office for their operations.

SOCIAL SECURITY BILL

Increase in the social security tax to 4% in 1947 and for five years thereafter will be the only major legislation on the subject until next year. Present tax would normally go to 2% at the end. The quickie bill will also provide credit for time in military service for old-age and survivor insurance and will give unemployment insurance to maritime workers.

EXPORT-IMPORT STRINGS ON LOAN

The half-billion dollar Export-Import loan to China, originally contingent on achievement of Kuomintang-Communist unity—will soon start trickling through despite the latest flare-up in Manchuria. But the failure of Marshall's unity negotiations has weakened the position of Export-Import officials who are insisting on controls of the use of the money—keeping it out of the blank-check personal class.

Mr. Marshall went back to China with the loan in his pocket, was prepared to slap it on Marshal Chiang's back when the blowup came. Now, although the money has been set aside by Export-Import for use through 1947, it has been parceled out on a project-by-project basis, and only if the projects sound to the bankers.

This approach to the loan gives substance to the Chinese talk of piecemeal plans for China, which would place all emphasis on developing one area at a time, letting the rest starve "as it would anyway." When one area is a going concern, development efforts move on to the next area.

WYATT'S TENURE DUBIOUS

There's talk that Wilson Wyatt may last as housing coordinator. He did a good job in the propaganda phase, setting up the housing program, but his sure application of subsidies and

his failure to keep priorities in balance with materials are raising doubts about his administrative capacity.

PIG IRON ALLOCATION

The shortage of castings that has plagued conversion as it did war production will be fought with allocation and a price boost on pig iron.

Fitting in with the emergency distribution of steel during the third quarter (BW—Jun. 15 '46, p. 5), pig iron shortly will be allocated to foundries making castings for farm machinery, housing equipment, and railroad brake shoes. With automobile manufacturers and others also crying for pig iron, a price boost of \$1.50 or more a ton, will be granted soon to boost production.

As a further incentive, subsidies will be granted if necessary to induce heating of several high-cost furnaces now idle. Even being considered are payments for extra freight charges. Blame for the delay in this program, under consideration for months, is placed by the Civilian Production Administration on OPA's reluctance to hike prices enough to insure profitable operation.

The increase in pig iron prices will be followed by a boost on iron ore, of about 50¢ a ton.

TIDELAND BILL IN DOUBT

Sponsors of the bill to renounce any federal claim to title to submerged coastal lands, much of which is rich in oil, are looking for an opening to slip the bill through the Senate in the adjournment rush.

Although the bill met no serious objection in the House, the bitter fight over the nomination of Edwin Pauley, California oil man who campaigned for the legislation, to be Under Secretary of Navy, created so much turmoil in the Senate that Chairman Pat McCarran of the Judiciary Committee has been biding time until the issue could cool off.

The bill faces a possible veto if it arrives at the White House. President Truman has never indicated his position on the legislation. Soon after taking office he approved the filing by the Justice Dept. of a suit to acquire title to California tidelands, but explained that he did so merely to settle the long controversy.

The suit is scheduled for argument before the Supreme Court next fall. Enactment of the pending bill would automatically end the litigation, give the states clear title to all lands along their coasts to the three-mile limit.

VETO INSPIRES LEWIS

Thanks to the Case bill veto, John L. Lewis plans to renew his demand for union control of the welfare fund which is established in his bituminous contract with the government. His United Mine Workers got practically that in their agreement with the anthracite operators.

The Case bill would have prevented employers from contributing to an employee welfare fund unless they shared equally in its administration. A new demand by Lewis would have to be fought out with the soft coal operators before the government turns the mines back to them.

LESS SYNTHETIC RUBBER

Tire makers have been warned by the Civilian Production Administration that they will have to put the brakes on synthetic rubber consumption during the last half of 1946.

Rubber consumption in May was at a rate exceeding 1,000,000 tons annually, and neither CPA nor the industry can see much more than 900,000 tons of synthetic and natural rubber available for the full year. So a 10% to 15% cutback is required.

Plants making synthetic rubber from petroleum are being pushed to capacity, but won't turn out more than 580,000 tons (page 18).

Passenger tire output for the year now is estimated by CPA at 69,150,000, well above the original goal of 66,000,000 but under the industry's March estimate of 70,450,000. Replacement tires won't be plentiful until late this year.

IN THE COURT OF OPINION

Nobody, of course, has any idea that Senators Eastland and Bridges will get to first base with their rather fantastic constitutional amendment which would limit to three (and retroactively) the number of Supreme Court justices that any one President could appoint.

Like Justice Jackson's return from the European theater, the amendment is a device for beaming public opinion upon the judiciary. This may be no idle pursuit, since the court has, historically, proved responsive to the public's view, even in ultimate disposition of constitutional niceties.

Any reforms within the court may be expected to result from that responsiveness rather than from legislative pressure. Old timers say Jackson, who has never held an elective office, is han-



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A cyclone and a Sly Dust Filter collect dust from grinding and sandblast operations on non-ferrous castings. The Sly Dust Filter is needed to collect completely all the fine dust which the cyclone could not catch.

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SLY
PIONEERS AND LEADERS IN
Industrial DUST CONTROL

dicapped in his controversy with Justice Black by the latter's political connections—and experience-bred shrewdness which has prompted him to ignore Jackson's charges to date.

CENSUS HOPES REVIVE

There's still a chance that the Commerce Dept. will be allowed to make a 1947 census of manufactures and business. The Senate Appropriations Committee knocked out a \$15,000,000 appropriation for the census with some sharp words about executive agencies which try to get money for unauthorized activities. However, legislation authorizing a census every five years, which has languished in the House Census Committee since February, is showing signs of life—aided by C. of C. and N.A.M. backing.

—Business Week's
Washington Bureau

THE COVER

Standard Oil Co. (New Jersey) had only recently been divested of its 33 subsidiaries by the U. S. Supreme Court in the famous antitrust decision of 1911 when Frank W. Abrams, holder of a new civil engineering diploma from Syracuse University, was hired as a draftsman at the company's smallest New Jersey refinery, the Eagle Works. That was in 1912.

Today, at 56, Abrams is chairman of the board of the Jersey company, helps direct its worldwide operations—which in the domestic arena at least are in competition all over the place with many of those erstwhile subsidiaries (page 71).

Engrossed in his own business, Abrams is comparatively little known outside the oil industry. But he knows the workings of his company inside out, having served as refinery works manager, New Jersey area refinery chief, president of the parent company's principal operating subsidiary, Standard Oil Co. of New Jersey, member of the parent company's coordinating committee, and as one of the top firm's three vice-presidents, before ascending to the chairmanship at the start of 1946.

Abrams' talents include an understanding of men. His first official act as president of Standard of New Jersey was, while conducting a meeting of its manufacturing committee on a hot summer day, to order all present to take off their coats.

The Pictures—Harris & Ewing—5; Press Assn.—16, 17, 20, 92; Acme—17, 80, 86; Globe—78; British Combine—97.



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"MORE THAN CORROSION RESISTANT"

THE OUTLOOK

BUSINESS WEEK

22, 1946



Don't fall in too readily with the people, in and out of government, who are beginning to talk about a business spill early next year.

They expect prices to whirl upward, giving rise to another round of strikes for compensating wage increases, and finally a day of reckoning.

But at worst nobody is talking a 1929-32 bust with its 55% drop in industrial output. Mostly people liken this to 1920-21, and some look for a recession no more violent than the dip in 1924.

At best, we may still avoid the price-wage spiral. Steady progress the rest of this year would lay the basis for prolonged prosperity.

Demand for soft goods will begin to level off or even to recede in one line after another over 12 to 15 months. Shoe output will meet demand before the year is out and inventory rebuilding can start. Other clothing will be only a little slower in catching up.

The laggard heavy lines can take up any slack that develops. There is the crying need for many things—plus income, savings, and credit to pay for them. Three sustaining factors loom large for into the future:

- (1) Construction of several million housing units is essential.
- (2) We want all kinds of hard goods, conspicuously automobiles.
- (3) Big exports are assured despite today's international bickering.

Pessimists size the situation up this way: spiraling prices, paralyzing strikes, loss of consumer purchasing power, sterilization of individuals' wartime savings, and slump by next spring or summer.

Somewhere along this trail, the stock market would break. Loss of paper profits always chills the free spenders. More important, bear markets inevitably postpone plant expansion, slowing heavy industry.

Even residential construction might be materially curtailed, removing part of the cushion most of us have been counting on to bolster things.

Severity of the deflation? Before you can answer that, you would have to know the intensity of the inflation that brought it on.

Similarities to 1920-21 exist now. However, we must remember that these are resemblances rather than exact parallels.

We didn't wipe out the excesses that followed the last war until there had been a drop of more than 30% in industrial output. Durable goods slumped more than 50%, nondurables about 15%, mining 20%.

Now it may well be that we are in for many of the speculative excesses of 1919 and 1920 over the months immediately ahead.

There are, however, some underlying dissimilarities. Last time, our part in the war was much shorter. There was much less conversion and we produced for civilians right along. And credit conditions were strained.

Today we have pent-up demand for everything. And we have capacity one-third larger than prewar with which to meet these needs.

Demand for inventory promises to keep most producers going full tilt for a long time. Few plants have adequate stocks.

Yet the present scramble for supplies worries the economist. He remembers that overbuying to beat price rises, all the way from manufacturer to consumer, was a very important factor in the 1921 spill.

However, most plants haven't yet built inventories to a level that seems

THE OUTLOOK (Continued)

BUSINESS WEEK
JUNE 22, 1946

to present any danger. Manufacturers' stocks now are 23% higher than the 1941 average (with durables up 18% and nondurables 29%).

And this is dollar value, not physical inventory. Present stocks, allowing for price rises, are little if any larger than in 1941.

In contrast, Business Week's Index now is a few points above the 1941 average—and pointed sharply higher as strike effects wear off.

Industry should be able to show, in the next few weeks, what it can accomplish with major labor disturbances at a minimum.

Steel operations will be back by next week just about where they were before the coal strike.

General Motors output is climbing rapidly; GMC Truck will get rolling again now that a critical supplier has settled its strike. Ford began this week to call back men laid off early in May.

Even so, the supply situation will retard most manufacturers. Copper will be at its worst this month. Even though the mine-smelter strikes have been pretty well cleaned up, copper users will be lucky to get half what they need in June. Improvement will start to show in July.

It remains to be seen if the higher price for lead and resumption of smelting will bring output of this metal anywhere near up to demand.

Rising employment in lumber should be good news to the construction industry and to people needing homes.

April saw the number of workers jump 24,000 over March. Now May has weighed in with a further increase of 15,000. At 574,000, the total number of production workers stands more than 10% above a year ago.

It had first been feared that lumber output this year would be no more than 31,000,000,000 b. ft. Improvement so far recorded has encouraged Washington to raise its estimate to 34,000,000,000.

Manufacturers of soft goods either are getting close to their production goals or they weren't able to find new workers in May.

Whichever is the case, nondurable goods industries lost a few workers from April to May. Even the hard-pressed textile mills increased their forces very little after the steady gains of previous months.

Makers of durable goods, on the other hand, took on nearly 100,000 more factory hands despite the widespread effects of the coal strike.

Family savings shouldn't be overstressed as a bulwark for sustained prosperity. Too large a percentage of consumers just haven't saved much.

This is demonstrated by the study just completed by the Bureau of Agricultural Economics for the Federal Reserve Board.

The survey indicates that 20% of our families hold 76½% of our savings. The next 50%, whose holdings range from \$50 to \$1,800, have all the rest. This leaves 30% with no nest egg at all.

Something the BAE analysis doesn't cover is that the little people already have used a slice of their savings. Cashing of \$2,600,000,000 of War Bonds in the first five months of 1946 shows that (BW—Jun. 8'46, p9).

But don't forget: The 80% who haven't saved much will buy on time; and the 20% with chunks of cash will spend from savings if need be.

FIGURES OF THE WEEK

THE INDEX (see chart below).

PRODUCTION

	\$ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Steel ingot operations (% of capacity).....	84.2	76.1	49.2	88.8	97.3
Production of automobiles and trucks.....	46,393	43,175	48,565	19,600	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$21,683	\$21,613	\$20,350	\$7,195	\$19,433
Electric power output (million kilowatt-hours).....	4,030	3,920	3,939	4,348	3,130
Crude oil (daily average, 1,000 bbls.).....	4,961	4,896	4,751	4,888	3,842
Bituminous coal (daily average, 1,000 tons).....	2,108	740	78	1,996	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	81	77	86	85	86
All other carloadings (daily average, 1,000 cars).....	58	35	28	63	52
Money in circulation (Wednesday series, millions).....	\$28,128	†\$28,159	\$27,950	\$26,533	\$9,613
Department store sales (change from same week of preceding year).....	+39%	†+32%	+40%	+14%	+17%
Business failures (Dun & Bradstreet, number).....	12	13	16	13	228

PRICES (Average for the week)

Spot commodity index (Moody's, Dec. 31, 1931=100).....	286.4	285.3	279.1	257.5	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	178.5	178.2	172.7	166.3	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	254.5	253.0	250.9	228.3	146.6
Finished steel composite (Steel, ton).....	\$64.45	\$63.54	\$63.54	\$58.27	\$56.73
Scrap steel composite (Iron Age, ton).....	\$19.17	\$19.17	\$19.17	\$19.00	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	14.375¢	14.375¢	12.000¢	12.000¢	12.022¢
Wheat (Kansas City, bu.).....	\$1.87	\$1.87	\$1.87	\$1.69	\$0.99
Sugar (raw, delivered New York, lb.).....	4.20¢	4.20¢	4.20¢	3.75¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	29.19¢	28.74¢	27.22¢	22.71¢	13.94¢
Wool tops (New York, lb.).....	\$1.330	\$1.330	\$1.330	\$1.330	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	22.50¢	22.50¢	22.50¢	22.50¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	148.4	149.1	148.1	120.0	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.03%	3.03%	3.03%	3.29%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.48%	2.50%	2.52%	2.61%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	½%	½%	½%	½%	½-1%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	39,505	†39,471	38,348	41,189	23,876
Total loans and investments, reporting member banks.....	62,864	63,331	64,071	58,896	28,191
Commercial and agricultural loans, reporting member banks.....	7,507	7,469	7,461	5,856	6,296
Securities loans, reporting member banks.....	4,033	4,100	4,201	3,694	940
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	44,716	45,222	45,871	43,676	14,085
Other securities held, reporting member banks.....	3,362	3,367	3,385	3,096	3,710
Excess reserves, all member banks (Wednesday series).....	770	700	840	1,237	5,290
Total federal reserve credit outstanding (Wednesday series).....	23,896	†23,450	23,252	22,347	2,265

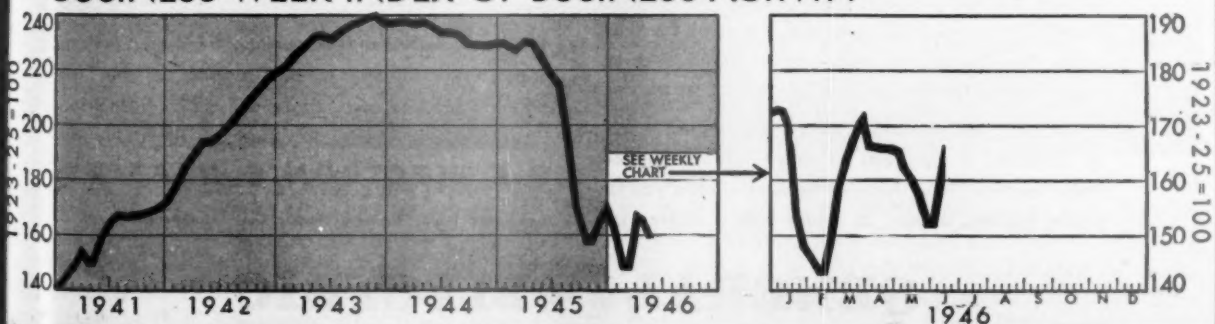
* Preliminary, week ended June 15th.

† Revised.

‡ Ceiling fixed by government.

§ Date for "Latest Week" on each series on request.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY

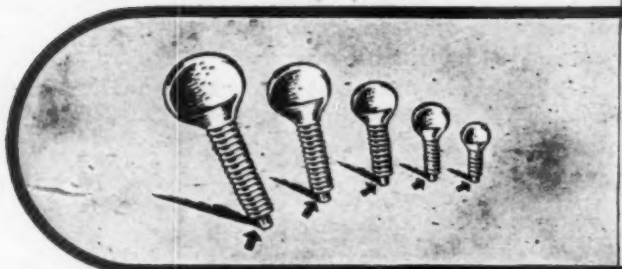


Solders 900 seams per hour. One girl with one G-E electronic heater turns out twice as many capacitor cases as she could under this plant's previous method. (Massachusetts)



Hardenes clutch jaws in 17 seconds. A G-E electronic heater localizes the heat, without hardening the rest of the clutch plate. No distortion. No scale. (Kansas)

Brazes 1000 steel parts per hour. Heat is confined to the brazing area; strong, uniform joints result. Exact duplication is obtained, day after day. (Michigan)



Anneals screw tips at half the cost. Without affecting the threads, a single G-E heater anneals 100,000 thumbscrews a day—and with absolutely uniform results. (Illinois)

Turn on the **ELECTRONIC HEAT!**

Does your plant have a heating job that you'd like to do better? A repetitive soldering job, for example, that even skilled workers have to fuss over? Or a surface or spot hardening job where you can't localize the heat the way you'd like to? The chances are that electronic heat can do it in a small fraction of the time required by your present method—do it with almost unbelievable accuracy.

The above case histories are typical of the speed-up obtained in hundreds of shops with G-E electronic heaters. These versatile heaters enable you to braze, harden, anneal, or solder with a degree of

control that will astonish you. They facilitate quick production shifts, because of the variety of shapes and sizes—a single heater can handle. And—operators can be trained to get consistent results in a matter of hours.

If you expect to find ceilings over your selling prices, now is the time to start tearing out the floor under production costs. There are a lot of electrical ways we can help you. One of them is with **G-E ELECTRONIC HEATERS.**

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Price Control Getting New Lease

Out of the tumult, apparently, a bill will emerge that has enough teeth to prevent runaway but which will provide production incentives during transition period. Bowles believed on way out.

As a handful of senators and representatives sat down this week to wangle price control extension bill out of the separate Senate and House versions, the outlook was for a law adequate in form and substance to prevent runaway price-wage inflation while furnishing incentives to production.

The law won't wipe out black markets. It won't eliminate strikes. But it will set up more or less orderly machinery for moving from a controlled to a free economy over the next nine to twelve months.

Truman Can Sign It—It will be a bill that President Truman can sign. That's the aim of the House-Senate conference committee, which is sensitive to a reaction in Congress against the original House and Senate bills which practically gutted price control. It won't be a bill that, by any stretch of the imagination, will satisfy either Economic Stabilizer Chester Bowles or Price Administrator Paul Porter, because Congress is determined to take matters largely out of their hands.

In his all-out fight for retention of a hold-the-line bill, Bowles, like Leon Anderson before him, has earned sufficient antagonism to destroy his further usefulness in the stabilization program. New congressmen, for or against OPA,

would shed any tears over his resignation.

Business in general would cheer, but consumer groups, who have applauded Bowles' last-ditch fight for tight control, would deplore his departure.

• **Wary of Labor Pledge**—Bowles' proposal to couple firm price control with a no-strike pledge from labor was coolly received in all quarters. It was the frank opinion in circles close to the White House that a pledge by labor leaders wouldn't stop strikes.

Feeling against Paul Porter doesn't run high. He has been regarded as merely playing second fiddle to Bowles, and he will probably move to some other federal post.

Herbert Hoover's intervention in behalf of price control legislation in order to remove the threat to the famine relief program prompted speculation this week that President Truman might draft him as price administrator.

• **Political Strategy**—OPA's backers had been counting, in extremity, on a veto of the bill to save the situation temporarily by forcing Congress into voting an extension of the expiring law pretty much as is, in order to meet the June 30 deadline. That strategy was knocked in the head, however, when Republican leaders served notice on Truman that if he pulled this trick, they would vote

only for extension of rent control, and let him take the rap for the rest of it.

But Republicans, too, want to keep a fair semblance of price control, and are willing to compromise on a bill that will finally dispose of the whole business by June 30.

The hope for a compromise assumes, of course, that two or three of the most controversial amendments will be eliminated.

• **Disputed Provisions**—Generally, these would terminate price control in many commodities on June 30, and also end on that date the government subsidies which have been utilized to hold down prices.

In this category is the House-approved decontrol amendment sponsored by Rep. Ed. Gossett of Texas which would force OPA to lift controls when production of any article reaches the level which existed between July 1, 1940, and June 30, 1941. Officials estimate that enactment of this provision would end virtually all food controls and probably 50% or more of non-agricultural price ceilings on June 30.

In the Senate bill is the almost equally controversial McFarland amendment, which would take ceilings from meats, dairy products, and poultry on that date.

• **Elimination Indicated**—Both amendments are subject to elimination by the conference committee, since the Senate rejected the Gossett amendment, and the House turned down a proposal similar to McFarland's.

That these amendments will be eliminated, or at least modified, now seems sure, particularly since Rep. Jesse Wol-



U. S. STEEL ACQUIRES SOME SURPLUS

The Justice Dept. this week gave its reluctant approval to the sale of the \$202 million Geneva steel plant to its wartime operator, U. S. Steel Corp., thus removing the last obstacle to War Assets Administration's disposal of its biggest single surplus property—and ending months of

maneuvering over the plant's disposal. U. S. Steel bid \$40,000,000, plus \$7,500,000 for inventories, will adapt the plant for civilian production and establish Geneva as a basing point (BW—May 11'46, p18). Located 40 miles south of Salt Lake City, Geneva has a capacity of 1,283,000 tons. Even with this Big Steel will have only 32.7% of the nation's ingot capacity, as against its prewar 35.3%.



When Bernard Baruch (left) outlined U. S. proposals for atomic control last week, industry everywhere was interested. So was U.N.'s secretary, Trygve Lie (right)—especially in view of the condition that Russia waive its veto power.

cott, Michigan Republican and a ranking minority member of the House conference group, has revealed that he would vote against the exemption for meats, dairy products, and poultry.

• **Toward a Higher Line**—The conference committee will work also towards reconciling and wrapping up in one package several provisions of the House or Senate bills which will have the effect of establishing a new, higher price line for manufactured goods. These include the Wolcott amendment in the House bill putting pricing on a product, instead of over-all industry basis; the Taft amendment in the Senate bill to add increased costs since October, 1941, and amendments carried by both bills to ditch OPA's cost absorption practice.

The swing in congressional sentiment, not too obvious but certainly present, has behind it some politics; and almost equally important—the urgent desire to quit and go home.

• **Republicans' Policy**—The politics involved include a belief by some G.O.P. strategists that the minority may find itself vulnerable if it assumes responsibility for the virtual death of price control at this time.

Another strong fear motivating Congress is that an ending of price control would set off another wave of major strikes. Some important labor leaders, however, maintain that price control is the most important cause of strikes. Without it, they contend, employers and unions would quickly make private wage bargains and get on with the job of producing for a high-price-level sellers' market.

What's In Atoms?

Industrial claim-stakers in field will be able to take cue from deliberations under way in New York and Washington.

The future of a great potential industry—the terms on which it can do business, the extent to which it may be put into private hands—is now being determined in New York and Washington. The new industry is the production and use of atomic energy. The conditions of that industry's operation are a part of business' stake in the deliberations at New York of the United Nations Atomic Energy Commission and the decisions in Washington of the House Military Affairs Committee, which is considering the Senate's McMahon bill for domestic control of the atom.

• **Industrial Exception**—Most businessmen are inclined to throw up their hands before the problem of evaluating the industrial impact of the new technology of the atomic nucleus. While discounting the extreme predictions of an early economic revolution which followed the first disclosure of the atom bomb, they have lacked the concrete technical information needed for a more realistic appraisal.

A notable exception in its attitude toward atomic energy is General Electric, which is rapidly staking out its claim in the new field. G.E. has contracted to take over the management,

in September, of the government plutonium producing plant at Hanford (generally assumed to be of more long-term significance than the isotope-separation facilities at Oak Ridge). And G.E.'s ambition to take a leading part in atomic power development now dominates its research program. The firm is setting up a whole new research center at Knolls, outside Schenectady, where it will concentrate on studies of nuclear fission and other types of nuclear reaction.

• **Prime Assumption**—The outcome of the New York and Washington discussions will determine the extent to which businessmen will have access to atomic information and the terms on which they will be allowed to use it.

Superficially, the domestic legislation being considered in Washington is not immediately important. But the rather liberal McMahon Bill (BW-June 5, 1946, p. 7) is based on the assumption that some form of international control will be worked out. If the New York negotiations break down, the bill will be unquestionably superseded by more restrictive legislation.

• **U. S. Plan**—At the opening meeting of the UN commission last week, U.S. delegate Bernard Baruch for the first time laid out the official American position on international control of the atom. He proposed the creation of an international Atomic Development Authority. This body would be responsible for:

(1) **Atomic research.** It would have exclusive right to do research, but would keep itself in the forefront of work in this field.

(2) **Control of uranium and thorium resources.** The ADA would locate all bodies and control the extraction of these metals. Whether it would do the mining itself or would only inspect mining operations would depend on "different situations"—presumably including the impact on commercial mining of radium, vanadium, diamonds, and other minerals commonly associated with uranium.

(3) **Manufacture of fissionable material—U235, U233 (from thorium) plutonium.** This would be an American monopoly in which no national or private body would be allowed to engage. It would involve the production of large quantities of byproduct power.

(4) **Custody of fissionable materials.** ADA would turn over to national or private bodies small quantities of the materials for experimental and perhaps small-scale process use. It might also turn over large quantities, in "detached" form, for use in power production.

(5) **Inspection.** ADA agents would have access to all parts of the world in order to determine whether anyone other than the authority was producing

ment plan... materials or mining uranium... under ADA control. Any such... would constitute a violation of... atomic control treaty.

Riders—Thus far, the U.S. proposals put forward by Baruch follow the State Dept.'s informal "essential plan." But Baruch went beyond this in proposing that the nations specify the sanctions to be undertaken if a violation is discovered—sanctions which might lie against individuals as well as against nations. And he demanded that the cherished veto power

be waived insofar as application of these sanctions is concerned.

These two proposals are by no means sure of universal approval. Thus businessmen must take into account the possibility of failure of the negotiations.

Such a failure might mark the start (or resumption) of an atomic arms race. Businessmen would then have to judge what this might mean to their operations in the way of forced decentralization of industry, restrictions on industrial information, and continuation of wartime controls.

ical. Finally, the House Banking & Currency Committee invited Eccles to recommend additional controls to check the rise in bond prices and the shift of securities from private investors to banks. The board's experts went to work on the job cautiously but enthusiastically (BW—Mar. 30 '46, p. 17).

• **Reversal**—While the report was in the works, the situation suddenly took a new turn. The government bond market, which had worked itself up almost out of sight from the ground—the Victory 2½s issued last December were selling at a 64-point premium—abruptly took a dive. One reason was the Reserve Board's antagonism. Another was the Treasury's debt retirement policy.

In any case, the sudden spill exploded the widely advertised theory that any fool could make money by buying government bonds and sitting on them (BW—May 4 '46, p. 19). Many free riders were badly spanked and that took a lot of the steam out of the market.

• **Different Method**—Meanwhile, the Treasury has been showing remarkable adroitness in manipulating the funds it was using for debt retirement. By retiring issues held principally by the reserve banks and the commercial banks, it managed to exert a fairly potent deflationary influence.

Taking one thing with another, the Reserve Board decided that much of the urgency had gone out of its demand for new controls—and that the chances

Bankers Get a Year of Grace

Following the drop in government bond market, Board takes milder tone in proposing new controls over banks and money. Trend toward system of selective credit management is indicated.

The Federal Reserve Board, which two months ago was talking ominously of new and drastic controls over commercial banks and the money market, has decided to put its whip away, at least temporarily. It will not demand immediate enlargement of its power to regulate bank reserves and portfolios. At the same time, the board has no intention of letting the money market forget its catechism. It will keep the whip on the wall, in plain view of banks and other investors who may be tempted to kick over the traces.

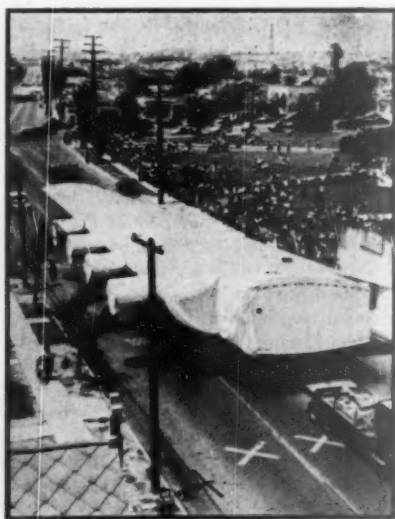
Double Danger—Around the beginning of the year, Chairman Marriner Eccles and the Reserve Board's experts began to be alarmed by the boom in the government securities market that was driving interest rates down to the lowest levels in history. In particular, they were worried by the tendency of commercial banks to shift from short-term government paper (which pays around 3% interest) to the long-term issues (which pay up to 2½%).

This process had a double-barreled effect, and from the standpoint of preventing inflation, both barrels were dangerous. On one hand, it created an additional demand for the long-term issues and drove their prices higher and higher. On the other, it transferred government bonds from private investors and nonbanking institutions to the commercial banks. Since the banks paid for the bonds by expanding their deposits, the result was to increase the purchasing power in the hands of the public. This was what Eccles called "monetizing the federal debt."

Hands Tied—Ordinarily, the Reserve Board would have tackled this sort of situation by selling securities in the open market, thus mopping up funds and tightening the whole credit structure. But the board was committed to support the market for the Treasury's obligations

at par both to facilitate management of the \$275 billion national debt and to protect investors who had put their money into government bonds (BW—Feb. 9 '46, p. 19). A general tightening up on credit in an attempt to hold down the price of long terms might break the market for short-term paper and force prices of notes and certificates under par.

As time went on and the market went up, Eccles and other Reserve Board spokesmen became more and more crit-



ON THE LONG, SLOW TRAIL TO THE SKY

Moving at 2 m.p.h., Howard Hughes' \$20,000,000 flying boat, the Hercules, was trundled last week in sections from Culver City, Calif., 28 miles to Long Beach Harbor and its special graving dock for assembling (BW—Jun. 16 '45, p. 48). The wings (right), each 34 tons, 160 ft. long, 49 ft. wide, lumbered on house-movers' dollies in a two-day trek. It took another two days for the 61-ton, 220-ft.-long hull-fuselage (left). On the \$58,000 moving job, 23 utility companies raised 2,100 utility lines along the way. The boat, designed to fly cargo, can carry 700 persons. It may try its wings early next year.

of getting a favorable reception from Congress had become correspondingly slimmer. Accordingly, it changed its tactics.

Instead of making separate recommendations on new controls, the board set them up as a section in its regular annual report, released this week. Moreover, by taking a mild tone in its description of the present situation, it has practically invited Congress to postpone any action until next session—a course that Congress almost certainly will take.

• **Alternatives**—But there is nothing mild about the suggestions themselves. The board proposes three alternatives:

(1) Empower it to put a maximum limit on the amounts of long-term securities, both public and private, that banks can hold in relation to their demand deposits.

(2) Or, empower it to require all commercial banks to hold specified amounts of bills and certificates (short-term) in relation to demand deposits. This would constitute a sort of secondary reserve in addition to the deposits with the federal reserve banks which make up regular bank reserves.

(3) Or, give it additional authority to raise bank reserve requirements. The board is doubtful about how much could be accomplished by this measure alone as long as it has to support the market for governments, but there is nothing to keep the increase in reserves from being combined with either of the other two approaches.

• **Psychology**—Either a limitation on holdings of long-term securities or a secondary reserve plan would be a bitter dose for commercial banks to swallow, and the Reserve Board isn't missing the chance to use a little applied psychology at this point. By letting the whole issue go over until the next session of Congress, it has given the bankers an obvious invitation to take care of the problem by voluntary measures.

The board itself is pessimistic about the possibility of letting the market run indefinitely with only the self-restraint of 14,000 commercial banks to keep it in line. But a number of Reserve officials say that if the banks could handle things themselves, Washington would be spared some bad headaches.

• **Sign Post**—Even if the immediate problem in the money market is straightened out before the next session of Congress, the Reserve Board report is worth some close study because it shows plainly the line that credit controls will be taking from now on.

Monetary authorities are putting less and less faith in the broad measures of traditional central banking—the discount rate, open-market operations, and the like. They are thinking now of specific controls over various types of credit; that is, a system of selective credit management.

Rubber Plan

Government decides to dispose of synthetic plants but will require operation as long as shortage persists.

The government is planning to get started this year on disposal of its synthetic rubber plants making general-purpose butadiene rubber. The preliminary rubber program put forward this spring by the Batt interdepartmental committee contemplated postponing disposition until the supply of natural rubber comes back to normal (BW—Mar.23'46,p28). But this week the Batt committee and the War Assets Administration submitted reports to Congress recommending immediate disposal.

• **Some Losses Expected**—All plants would be sold on the understanding that they will continue to make rubber for the duration of the shortage. It's recognized that this will introduce some financial losses into the government's rubber-production program. The efficient plants now carry the losses of the less efficient ones, but private industry will take over the best plants.

At present the government owns ten plants to produce butadiene from petroleum. These are all in operation. The government also owns three plants to produce butadiene from alcohol, but because of the alcohol shortage two are

shut down, and the third is operating at a low level.

Fifteen copolymerization plants make rubber from butadiene and are operating to the limit permitted by supply of butadiene—about two-thirds of the 900,000-ton annual capacity.

• **Survey of Plants**—Discussions with petroleum and rubber industries are being started to determine which of these plants have long-term value. "fringe" plants where costs are unhigh would be offered for sale as soon as anyone wants them. Because of rapid technical changes and because of doubt whether the copolymer plant can best be located near the butadiene or near the market, there's some question as to which plants will fall into the fringe group.

Negotiations for transfer of the economic plants will follow. As soon as interest appears in balanced butadiene and copolymer capacity for about 200,000 tons, bids will be taken. It's assumed that this portion of the industry will operate indefinitely—by government subsidy if the relative prices of natural and synthetic make this necessary.

• **Standby Program**—Petroleum plants with an additional 200,000 tons capacity will be held in standby. They will be government-owned or may be sold on condition they be kept in shape for rapid reconversion to rubber.

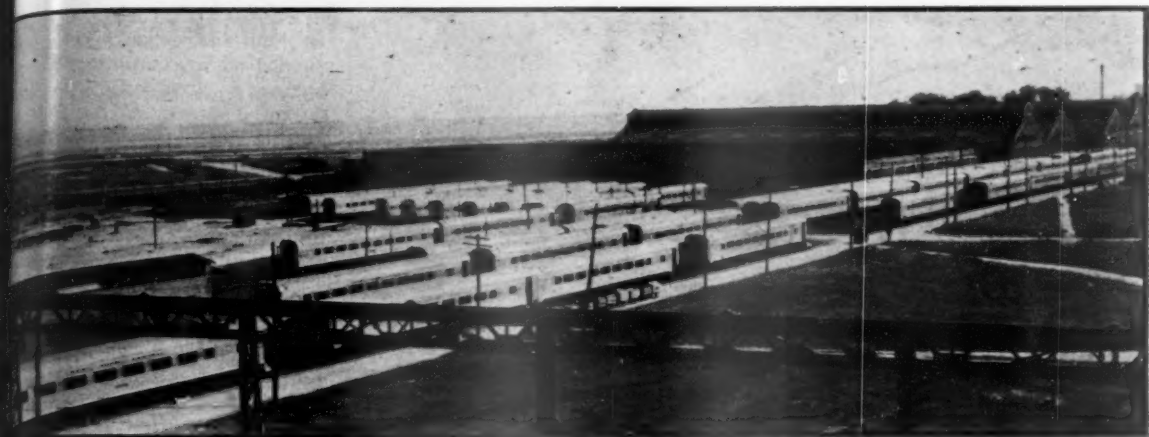
The plan makes its bow to agriculture by providing that one of the high-cost alcohol butadiene plants be held in standby as a war reserve.



AND NOW THEY'RE WORKING ON THE RAILROAD

The ubiquitous and versatile bulldozer turns up in a new role—as heavy-duty rescue aid in a railroad wreck. When a crossing mishap on the Southern Pacific line near Woodland, Calif., derailed a locomotive, tore up 120 yards of track, and scattered 21 loaded freight cars, five bulldozer-equipped, track-fighting Caterpillars were rushed into the breach. The dozers righted the cars, cleared away the wreckage, and wound up the job by rebuilding the roadbed.

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CAUSE OF FEEDER LINE TROUBLE

those swank trains promised for this postwar era rolling on the high iron is indicated by some 60 cars, destined for New York Central R. R., but sidetracked in Chicago yards of Pullman-Standard Car Mfg. because of material shortages. They lack seats, air conditioners, hardware, and other accessories delayed

chiefly by suppliers' labor troubles. New York Central, which has ordered \$56,000,000 worth of cars, hoped that 300 contracted for in 1944 might be in service this month. By last week Pullman-Standard had delivered 39. The Budd Co. which has contracted for 127 of the original 300 cars and American Car & Foundry which had an order for 20, are just getting under way. The railroad won't hazard a guess when it will get a later order for 420 cars.

New Film Decree

is on way unless Dept. of Justice thinks rules laid down for movie industry by special decree aren't drastic enough.

Build you and I with Him conspire
To sup this sorry scheme of things entire,
Which yet but half is done—
Till we shatter it to bits—and then
We'll build it nearer to the heart's desire!

—Omar Khayyam

30 years, with and without government help, the motion picture industry has been remolding its economic structure almost as regularly as executives change shirts, only to find itself as far from the heart's desire as when it

Hopeful—Last week, however, the directors of the industry hoped that their goal was in sight again. In the Southern district of New York, a special judge U. S. district court issued an order in an eight-year-old antitrust case, ruling that certain abuses in the industry must be corrected but leaving the major film companies the right to keep their theaters.

The Dept. of Justice doesn't appeal, and the industry will now proceed to work out its new scheme of things entire—and at least a good portion of the industry is prepared to put its heart

Involved—Basically, what is at stake in the movie fraternity is how to share the benefits of integration without losing its evils. Empire building is as much a part of the industry as freedom, but none of the giants

has ever managed to stay entirely clear of the law.

"The Great Train Robbery" was still the hit of the day when the movies got their first vertical combine. This was a coalition of Edison and all its rivals intended to end years of costly patent litigation. Formally launched in 1908, as the Motion Picture Patents Co., the pool held the power of license over all films, exchanges, and even the projectors used by exhibitors.

• **And So to Hollywood**—But the ink wasn't dry on the M.P.P.C. agreement before smaller producers and exhibitors started screaming about the "trust." Some went to court for relief, and some didn't. Those who didn't included a handful of pioneers who fled to Hollywood and started that community on its way to becoming the movie capital of the world. Hollywood's charms in those days included its remote location—nobody but the rattlesnakes found out that the pioneers were using smuggled Edison cameras.

Those who went to court had William Fox for spearhead—an ex-cloth sponger who got into film exhibition in 1906 and never lacked the temerity to tackle M.P.P.C. Pretty soon the litigation developed into a full-scale antitrust proceeding. A Philadelphia court broke up the combine in 1915.

• **Second Attempt**—But even while the antitrust action was still pending, the industry already was busy with attempt No. 2 at integration. This time it was the exchange men (the middlemen who keep film in circulation) who tried to sew up everything. Their effort—labeled Paramount Picture Corp.—was launched

in 1914 with Jesse Lasky and Adolph Zukor as big-name producers.

As soon as the exhibitors saw what the exchange men were up to, they founded rival empires. One, started in 1915, was the old Metro Pictures; another, set up in 1917, was First National—with enough money to lure Mary Pickford and Charlie Chaplin.

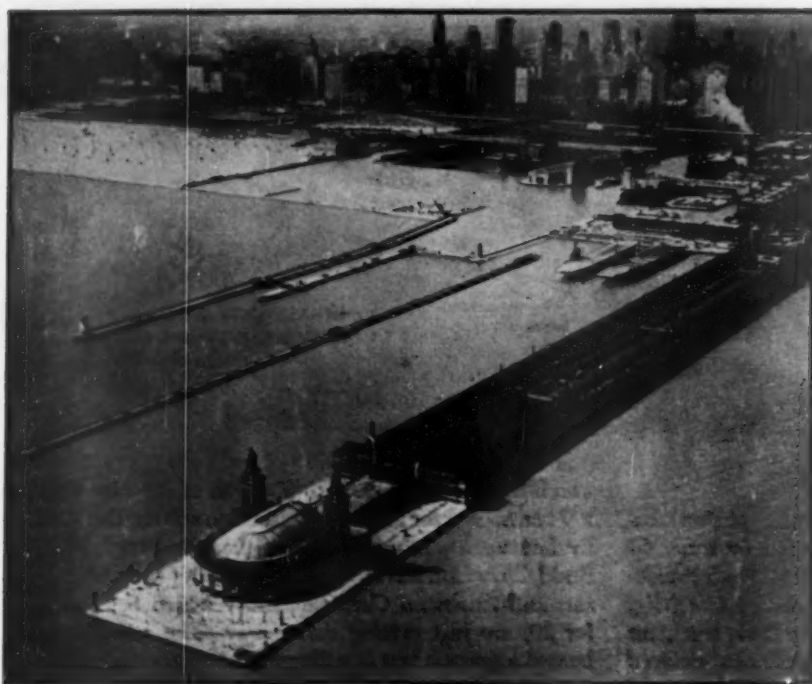
• **Actors, Too**—By this time the actors figured they had better protect their interests, so they, too, began working on a combine. It got under way in 1919 as United Artists.

Now came the real genius of integration: Zukor. An ex-furrier who, according to legend, got into the movie business by the round-about-way of taking over a penny arcade in payment of a debt and working from there into films, Zukor almost single-handedly set the trend for modern movie history.

As early as 1912 Zukor had formed the Famous Players Co., a milestone event because Famous Players dealt mainly in name talent (thus inaugurating the "star" system) and concentrated on full-length feature productions. As a result of such policies, "first runs," "subsequent runs," and "clearance" (spacing between first and later runs) grew into trade practices—and problems.

• **Modern Paramount**—By 1919, Zukor was certain that the various combines eventually would freeze him out, so with the help of Kuhn, Loeb, he launched a \$10,000,000 production-exhibition company—the modern Paramount Pictures, which got its title through Zukor's purchase of the old exchange men's combine.

Zukor's maneuver inevitably stirred



EMERGENCY JETTY FOR A SCHOLASTIC STORM

Chicago's ever-useful Navy Pier this week was appointed another task—being an adjunct of the University of Illinois. Bursting its seams as ex-servicemen stormed Champaign-Urbana, the university has leased for four years 255,686 sq. ft. comprising the lower deck of the pier's north building plus an upper deck mess hall. This will accommodate 4,000 freshmen and sophomores in classrooms vacated by a World War II Navy rating school, leaving untouched the pier recreation area, plus 450,000 sq. ft. of convention space, 250,000 sq. ft. for cargo. Built in 1916 for \$5,000,000, the mile-long pier—intended to entice ships from the Chicago River and reduce traffic jams from raised bridges—was first used as a school (officers' training) in World War I.

up repercussions. The most notable was that Marcus Loew, founder of the Loew's theater chain, and his associates in 1920 bought up Metro to guarantee their houses sufficient film. The venture was a success from the very beginning. With Rex Ingram as No. 1 producer and Valentino as No. 1 star, the firm cranked out a smash hit in its first big film—"The Four Horsemen of the Apocalypse."

• **A Handful of Giants**—By the mid-twenties, a long series of similar amalgamations had reduced the industry to a handful of giants with control over production, distribution, and exhibition.

Now the giants went on a building spree, and the era of the movie cathedral began. This trend had already been signalled a few years before when Roxy (Samuel Rothafel) opened the Rivoli, Strand, and Rialto theaters in New York City, charging \$1 for loge seats, and featuring 100-piece orchestras.

• **Record-Breaking**—The advent of the cathedral did wonders for the box office. During its opening week in 1926,

the \$17,000,000 Paramount Theatre in Manhattan turned in a world's record \$80,180. A year later the Roxy opened with an \$11 charge for orchestra seats and rang up \$157,600 in the first seven days. Two years later the Roxy set another record when the film "Cock-Eyed World" brought in \$173,500 on the first round.

While independent theater exhibitors, and the remaining handful of independent producers, weren't too vocal over the trend toward bigness as long as the boom was on, they joined in a mighty chorus as soon as the depression came.

• **Action Demanded**—The exhibitors complained that, in order to protect the patronage of their cathedrals, the producers were too stringent in zoning and clearance matters. They objected to blind selling, block booking (forcing exhibitors to license films in groups, or blocks), and insufficient freedom to cancel "stinkers" (low caliber films). And, of course, they demanded that the Dept. of Justice and Congress do something about it.

Congress got a bill to end blind selling and block booking so badly snarled up in committees that it never came of it. But the Dept. of Justice was better. Thurman Arnold filed an antitrust action in 1938.

• **Consent Decree**—The suit was tried. For in 1940, the Big Five—Mount, Loew's, RKO, Warner and Twentieth Century-Fox—signed a consent decree (BW—Aug. 31 '40). It put an end to blind selling, by requiring trade showings of films made prior to licensing; modified block booking by limiting the blocks to five; provided for arbitration of clearance zoning matters; and put a brake on acquisition of theaters by the Big Five.

But because the Little Three—Columbia, Universal, and United Artists—refused to sign, the decree drifted into limbo in 1942. That was the sign of a new onslaught against the Dept. of Justice by the outraged independents. When the hubbub failed to die, the Dept. of Justice finally decided to brush the matter off the old 1938 antitrust action (Oct. 6 '45, p. 7).

• **New Regulations**—Last week, a three-judge court gave its opinion on what new regulations should be imposed on the industry:

(1) It will be illegal for contracts between producers and exhibitors to stipulate minimum admission prices.

(2) The time-lag between first and subsequent runs will, in general, be smoothed down, with arbitration machinery to smooth over complaints.

(3) Films must be licensed under a system of bidding, so that all comers will get a chance.

(4) Blanket licenses covering houses in a circuit will be taboo.

(5) Block booking will be banned.

(6) Blind selling will be tolerated only if provided exhibitors have sufficient opportunity to cancel.

(7) The Big Five may keep all or part of their minority stock interest in owned theaters (about 3,100 theaters of the nation's 18,000).

(8) But the bigsters will have to get rid of their minority stock interest in some 1,300 theaters.

• **Decree Must Evolve**—On the basis of this opinion, an actual decree now be worked out. For their part, the major defendants are happy to take the medicine suggested by the court. They are glad that they can keep their valuable theater properties. And they are tired of the endless litigation—especially since the independents lately have been winning some hefty damage suits alleging restraint of trade (BW—Nov. 14 '46, p. 24).

Should Justice decide to let the matter rest, enough alone, and not appeal to the Supreme Court, the movies will rebound their industry once more in the coming weeks. This time, they hope, the structure will last longer than its predecessor.

Silver—Almost Money Again

If senatorial bloc's strategy succeeds, Treasury price will be 90.3¢ an oz. until July, 1948, and then advance to \$1.29, which amounts to the same thing as free coinage at ratio of 16 to 1.

The Senate's famous silver bloc—twelve senators from six western mining states—is on the verge of pulling the biggest coup in its long and highly successful career. By the same token, silver now is closer to being money than it has been at any time since 1873, when the U.S. officially swore off bimetalism.

Prolonged Poker Game—The silver senators are taking a chance in their timing, however. Anxious to make the most of their winning streak, they have prolonged the poker game right up to the edge of the summer recess. If they make a misstep at this point, the pending silver legislation may be left high and dry when Congress rushes home to its pre-election campaigning. That is something that neither silver producers nor silver consumers want.

In the past few weeks, the strain has begun to tell on both sides. Each is accusing the other of bad faith and greediness, although such charges are intended to let off steam rather than to do any real injury. Anyone who mixes into the silver question soon learns to regard verbal brickbats as an ordinary occupational hazard.

Need Outruns Production—Here is how the situation stands at the moment: Silver users—principally the manufacturers of jewelry, tableware, photo-

graphic film, and the like—will need about 125,000,000 oz. during 1946. Domestic production probably won't run over 30,000,000 oz. Imports will fill part of the gap but not all of it. Even on the rosiest calculations, silver consumers figure that they will be short anywhere from 30,000,000 to 45,000,000 oz.

The only way they can make up the shortage is to tap the hoard of free silver (bullion not pledged against a currency issue), that the government accumulated before the war in the course of the Treasury's silver purchase program.

• More Than Enough—Even after digging into its stocks for lend-lease requirements and to fill some of the wartime industrial demand, the Treasury still has about 225,000,000 oz. of free silver on hand—more than enough to make up any foreseeable shortage in 1946 and 1947.

Ordinarily any silver that finds its way into the Treasury stays there. The silver bloc sees to that, and no Indian rajah with trap doors and ancestral cobras ever guarded his hoard more successfully.

During the war, however, Congress did permit the Treasury to release part of its free silver for industrial purposes.

• Green Act—In July, 1943, it adopted the Green Act, which authorized sales

of unmonetized silver at a price of 71.11¢ an oz. This was the Treasury's current buying price for domestic silver. (The Treasury actually purchased comparatively little metal during the war years, but its standing offer of 71.11¢ put a firm floor under the market.) Imported silver was then selling at the OPA ceiling price of 45¢ an oz.

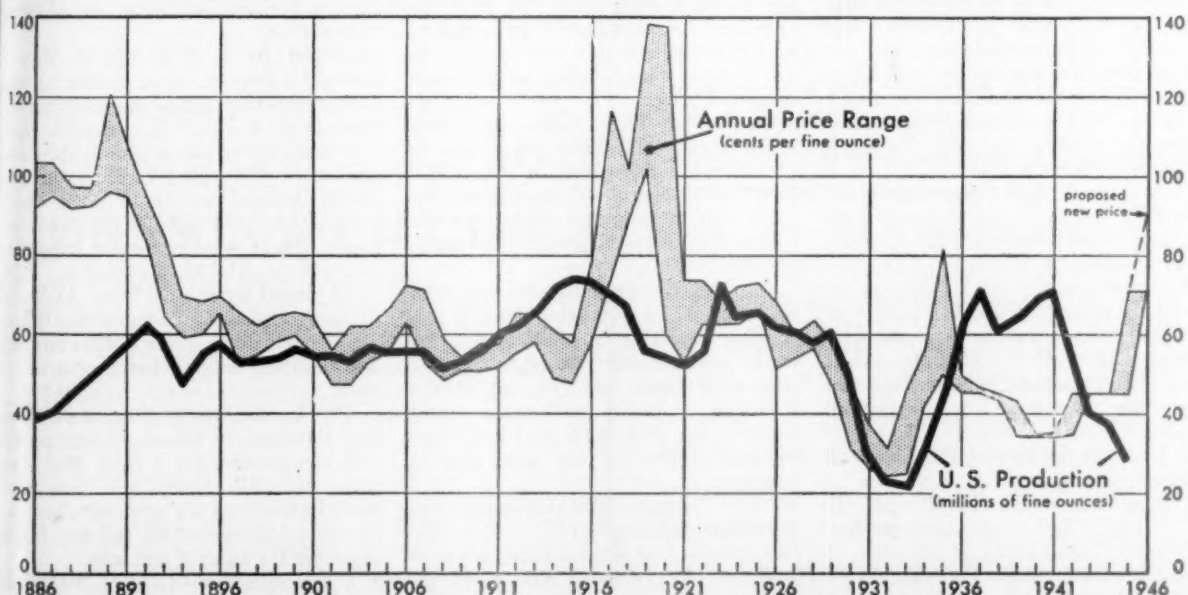
The Green Act expired automatically at the end of 1945, and the Treasury obediently turned the key on its free silver stockpile. Since then, silver users have been trying frantically to get the act restored.

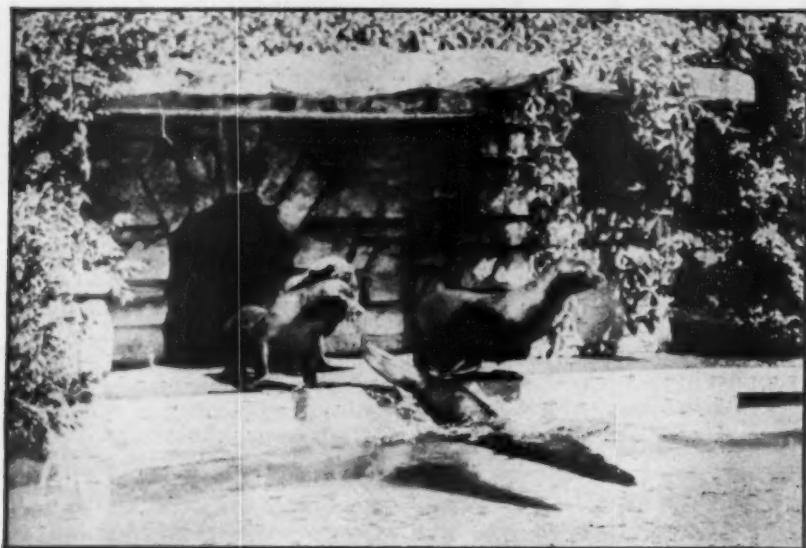
• Willing—For a Price—The House is willing enough to let the Treasury sales continue. In December, 1945, it passed a bill that would have kept the Green Act alive after the automatic cutoff date. When this bill reached the Senate, the silver bloc indicated that it, too, was willing to go along—for a price. The price was \$1.29 an oz., the full "monetary" value of silver figured on the historic basis of 16 to 1 against gold (at the old gold price of \$20.67 an oz.).

After some maneuvering and the usual amount of name calling, the two sides struck a tentative bargain. Under the terms of the proposed compromise, the Treasury would sell silver at 90.3¢ an oz. until July, 1948, and by the same token would lift its buying price (the official support price for the domestic market) to 90.3¢. After July, 1948, it would lift the buying price permanently to the sacred figure, \$1.29.

• Slow Headway—Even this compromise (which was not so much an agreement as a statement of the minimum terms the silver bloc would accept) has made

SIXTY YEARS OF SILVER PRODUCTION, PRICES—AND POLITICS





NO HIDING PLACE DOWN THERE

The six sea lions in the St. Louis Zoo can no longer seek privacy by diving below the surface of their pool. The bottom has been painted white and the sides royal blue with a rubber-base paint donated by Phelan-Faust Paint Mfg. Co. to publicize their water-resistant product. The paint reflects light and reveals the sea lions' underwater movements. And since algae and slime reportedly will not adhere to the paint, the water will stay clean much longer.

slow headway. The House is ready to swallow the 90.3¢ price, but, egged on quietly by the Treasury, it is looking for some way to drop out the promise of \$1.29 at the last minute.

Silver senators, outraged by what they call betrayal of a "gentlemen's agreement," have refused to pass a bill for fear the \$1.29 provisions would be knocked in the head in conference. They have passed the word to the House that when it is ready to do business on their terms it can let them know.

• **Braced For the Push**—This week there were signs that the deadlock was about to break. The Senate Appropriations Committee, which has tacked a rider containing the 90.3¢ and \$1.29 compromise onto the Post Office Appropriations Bill, was preparing to bring it to the floor. Silver senators braced themselves for the final push.

To appreciate the full significance of the \$1.29 price to the silver bloc, you have to go back a long way and you have to remember a lot of things—Alexander Hamilton and the Report on the Mint, the Comstock Lode, President Cleveland and the Panic of 1893, William Jennings Bryan and the Cross of Gold speech.

• **It Was Money**—The trouble with silver is that it has come down in the world. Once upon a time, it was money. Silver men never forget that fact. Even the passage of 50 years and the general abandonment of metallic monetary sys-

tems hasn't blotted out the idea that silver is something more than just another and not-too-precious nonferrous metal.

In the early days of the republic, the U. S. was, in fact, on a silver standard, although officially it had adopted bimetallicism. The mint would take either silver or gold bullion and coin it into dollars. Following Hamilton's Report on the Mint, Congress set the ratio between the two metals at 15 to 1—that is, a given weight of gold was coined into 15 times as many dollars as the same weight of silver.

• **Overvalued**—This ratio overvalued silver considerably (the going rate in the bullion market rose to about 15.6 shortly after Hamilton's report) and the silver dollars promptly drove out the gold dollars, a typical development under bimetallicism.

In 1834, Congress boosted the ratio to 16 to 1, not realizing that it was thereby providing a political war cry for its grandchildren. At 16 to 1, silver was undervalued and got out of the country's monetary picture in short order. From then until the Civil War, the gold dollar was the basic unit of currency.

• **Free Coinage Ended**—During the greenback period (1862-1878) the country saw very little of either silver or gold. In 1873, nobody paid much attention when Congress, codifying the coinage laws, quietly dropped the silver

dollar from the list. This was the end of free coinage of silver, but the 16 to 1 ratio still undervalued the white metal in 1873, and no one would have wanted to turn bullion into coin anyhow.

Within a few years, it was a different story. The price of silver began to drop. Before long, 16 to 1 represented a more than generous ratio from the silver owner's viewpoint. Silverites began talking belatedly about the "Crime of 1873," and the battle to restore silver to its lost glory began.

• **Monthly Purchase**—In 1878, the champions of silver jammed through the Bland-Allison bill which required the Treasury to purchase \$2,000,000 to \$4,000,000 worth of silver a month and coin it into dollars.

The Sherman Purchase Act of 1890 boosted the monthly ante to 4,500,000 oz. and directed the Treasury to pay for them by issuing notes redeemable "in coin."

The public promptly started turning the notes in for gold, and the drain on the gold reserve was one of the major causes of the great Panic of 1893.

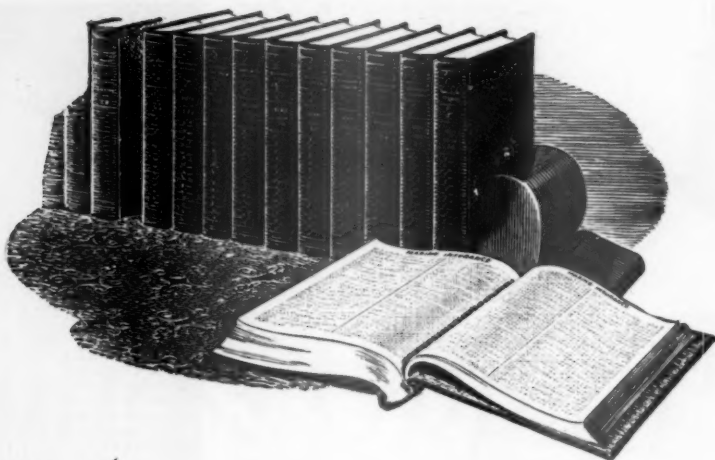
• **And Then Bryan**—President Cleveland forced Congress, in emergency session, to repeal the Sherman Purchase Act, but the drain on gold did not slacken until 1895, after Cleveland had driven his famous bargain with J. P. Morgan aimed at stabilizing exchange rates and securing importation of gold. Then, in 1896, William Jennings Bryan and the silverites stole the Democratic party and went to the country on a platform of free coinage of silver at 16 to 1.

Bryan's defeat (which came only after a large segment of Wall Street had been driven to the edge of hysteria) was the end of the first round. For the next 20 years, silver settled down to the unromantic business of being an ordinary commodity.

• **Helped By a War**—World War I brought a boom to silver producers that made them forget their monetary aspirations as far as the U. S. was concerned. For once, silver was a commodity and glad of it, although a considerable part of the demand was from India, which needed silver to bolster the wavering rupee. Prices ran up merrily from 56¢ in 1914 to \$1.339 in January, 1920. They might have gone even higher if Congress had not authorized the Treasury to melt down silver dollars and sell the resulting bullion for export at \$1 an oz.

This legislation was sponsored by Sen. Key Pittman, of Nevada. Silver producers complained for a time that Pittman had sold them out, but they thought better of his strategy when the Treasury (as required by the act) began replacing the silver it had sold.

• **A Welcome Prop**—In 1921, 1922, and 1923, the Treasury's purchases at \$1 an oz. were a welcome prop to a market



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that once again was headed in a downward direction.

Any lingering grudge that silver men may have held against Pittman dissolved soon after the Roosevelt Administration came in. As a delegate to the London Economic Conference of 1933, he delivered handsomely. The international silver agreement, under which the U. S. agreed to buy substantially all domestic new silver output for four years, was principally his work.

• **Purchase Act of 1934**—This agreement set the stage for the next move, the Silver Purchase Act of 1934, which still is the basic legislation on silver.

The main provisions of the Silver Purchase Act line up like this:

(1) It is the declared policy of the U. S. to increase its silver stocks until they equal at least one-third of its gold stocks (a goal that now is farther away than ever because of the huge increase in gold stocks after 1934).

(2) With this end in view, the Treasury is to buy silver at home and abroad at prices not exceeding \$1.29.

(3) The Treasury is to pay for its purchases by issuing silver certificates for at least as much as the price of the silver. If it wishes, it may issue certificates for the full monetary value of the metal it acquires.

• **Empowered to Peg**—What this boiled down to was simply that the President was authorized to peg the price of silver at any point up to \$1.29. In practice, the Treasury sets an offering price on newly mined domestic silver. The industrial market can take as much as it wants at that price, and the Treasury buys the rest. The Treasury also has taken an occasional flyer in supporting the price for foreign silver, but after one or two failures it decided to let the world market take care of itself.

Initially, the Treasury buying price was set at 64.64¢ an oz. Later it was boosted to 77.57¢. At the start of 1938, President Roosevelt cut it back to 64.64¢, but in the summer of 1939, the silver bloc managed to lever it up to the present 71.11¢.

• **Subsidy Yardstick**—Foreign silver, during most of this period, was bouncing around between 30¢ and 45¢ (chart). At the start of the war, OPA put a ceiling of 35¢ on it. This later was upped to 45¢, and after the war ended, it was lifted to 71.11¢ in an attempt to coax in more imports. The difference between the foreign price and the Treasury price in any year is a rough measure of the subsidy the silver purchase program gives to U. S. producers.

As far as the profits of silver producers are concerned, there wouldn't be much difference between a Treasury buying price of \$1.29 and free coinage of silver at the old 16 to 1 ratio. Under free coinage, a producer can take his bullion to the mint and turn it into dollars at



OUT OF THE NIGHT

This week, after a four-year blackout it was lights up on Chicago's Wrigley Building. During the war, the batteries of giant floodlamps, carrying a load of 343 kw., were on loan to the armed forces. Now the combined beam of 318,000,000 cp. once more highlights the landmark against the Windy City's skyline.

the rate of \$1.29 an oz. In effect, he could do the same thing under a \$1.29 buying price. Silver might not have the dignity it would achieve under free coinage, but it would have the same cash value.

• **Mysticism and Realism**—The campaign for silver these days is an odd mixture of mysticism and hardboiled realism. The most fervent missionaries for silver won't be satisfied with anything less than full monetization of the metal. (At the moment, they are beating the tub for international bimetalism, a campaign that has even less hope of success than the half-hearted agitation to revive the international gold standard.) But with a permanent buying price of \$1.29 practical silver men would be willing to forget the "Crime of 1873."

If, by any accident, Congress should not act on the silver legislation this session, the silver bloc would have to recast its strategy in a hurry.

• **Alternative Course**—In that case, OPA probably would have to take off ceiling entirely and let the price of both domestic and foreign silver shoot up in an attempt to draw in imports. Prices temporarily might climb well over \$1.29. The aim of the silver bloc then would be to

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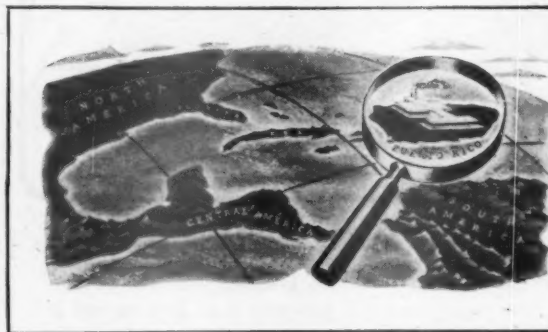
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slap in a floor before they dropped below that level.

Remembering the last war, however, silver producers would prefer to be safe and cinch their \$1.29 support now. When the price on foreign gets too high, it is likely to bring deluge of shipments from the hoards in India and China. Then the breaks wide open. With foreign selling around 30¢ it might be considerably harder to finagle a 'treasure' price of \$1.29 and still keep U.S. taxpayers pacified.

Distillers Plead

Old-line companies say they are getting more grain, claiming newcomers are getting unfair share. No basis for allocation is asked.

A proposed shift in distillers' quotas that would clip the high wings of Publicker and other competitive newcomers in the beverage industry is being studied by the Dept. of Agriculture.

Under the present quota agreement, Publicker gets 28% of all grain that distillers are permitted to use in a month, more than National Distillers, Seagrams, and Schenley combined (BW—Jun. 8'46, p. 8). Some old-line beverage producers now urge the department either to cut the newcomers or to allow the older makers to use more grain.

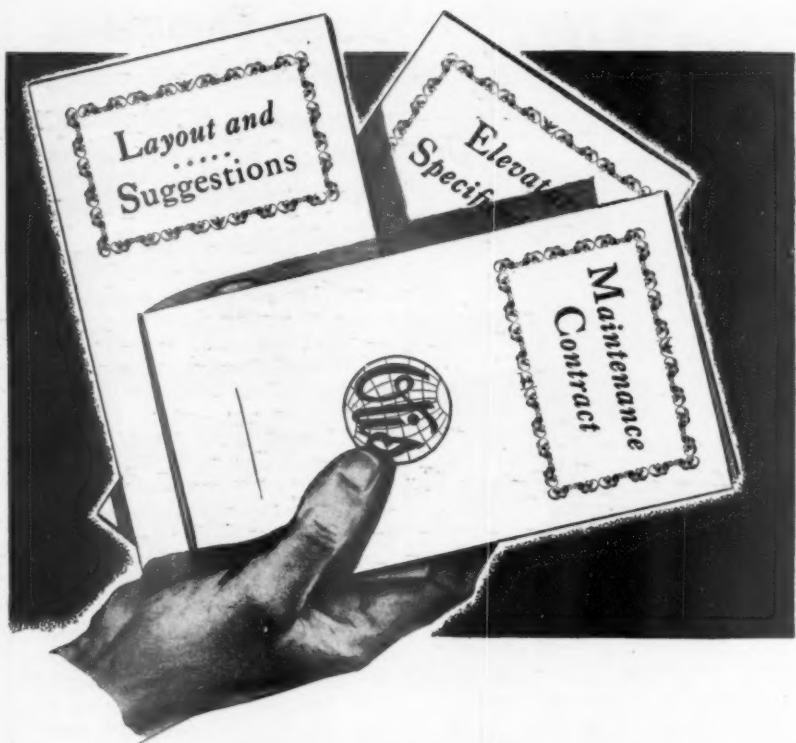
• **Say It Isn't Fair**—The case the beverage producers make is that they have been in business a long time and it isn't fair that newly organized time industrial alcohol makers now have beverage-making permits should be getting more grain.

Present quotas have been worked with each distiller—old and new—on basis of the maximum number of barrels of grain mashed during any calendar day between Jan. 1, 1945, and Mar. 1946, and which is officially on record with the Alcohol Tax Unit of the Internal Revenue Bureau.

The grain used by each plant is presently restricted to three 24-hour mashing capacity per month. Quotas thus provided for 150 plants, may be shifted from one plant to another within the same company, and from company to company, to permit continued operation of some plants. The result is that whereas quotas have been allowed for 150 plants, fewer than 90 are being operated, using the quotas for the others.

• **New Limits**—Last winter, an increasing number of industrial distillers obtained beverage permits, and all distillers were allowed to carry over

...med quotas of grain from the pre-
...ing months. This carryover allow-
... was stopped in May (BW—May
...p18).
... June and July a top limit of
...0,000 bu. of grain by the entire in-
...ry in each month also was ordered.
...hind the request of some distillers
...the Agriculture Dept. establish a
...at instead of the 1945-46 basis for
...quotas, the Agriculture officials
...a growing fear that the newcomers,
...their greater plant capacity, will
...opolize the industry.
...ew Basis Suggested—These officials
...been told, for instance, that while
...new plants are putting up stocks for
...the stocks of the older com-
...es are being reduced, with the result
...new plants will be holding most of
...ged liquor a few years hence.
...n meetings with distillers last week
...ment officials agreed to look into
...quantity of grain used by each bever-
...plant during each of the three cal-
...er years 1939-41. The outcome may
...that the average quantity used by
...plant during this prewar period
...be set up as a new basis for allocat-
...grain, with "appropriate" allow-
...s for new plants.



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...itical world food shortages and the
...sive demands on this country's
...a producing capacity last week
...ed the Chicago Board of Trade to
...reluctant action. It suspended in-
...tely all futures trading in wheat,
...old corn, and barley, and ordered
...ement of all outstanding contracts
...the last market quotation, which in
...ases was the ceiling. Contracts to-
...g \$50 million are closed out by the
...rd's action.

...is followed a hectic month in the
...in pits, which saw two court suits
...at the board, and a two-hour sus-
...sion of trading as a result of a tempo-
...restraining order (BW—Jun.15'46,

...anticipation of a large corn and
...crop this fall, trading in new
...and barley was permitted to con-

...ard of Trade officials said that the
...d grain demand had resulted in a
...ly of wheat, corn, and rye so inade-
...e that it would (1) make impossible
...and open market; (2) prevent ful-
...ment of futures contracts by delivery
...rain; (3) if price ceilings are lifted,
...the grain trade expects, result in a
...in prices so sharp that it would en-
...holders of "long" contracts to
...ire "shorts" to liquidate them at
...bitant prices.

...the present situation in the grain
...et virtually amounts to a corner,
...e shorts cannot get or buy grain
...all their obligations.

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Scrap Famine

Simultaneous drying up of major sources of ferrous supply produces an acute shortage. Current need at war peak.

Steel men and scrap dealers are agreed that the scrap shortage will grow worse over the coming months. Major causes of the current shortage are: (1) the steel industry's increased use of scrap during the coal strike, when blast furnaces had to be banked because of the coal shortage; and (2) the freezing of metalworking by strikes to such an extent that plant scrap (about half of purchased scrap supply) has not been returned to the mills in normal volume.

• **Strike Effects**—The effects of national strikes have been felt all along the scrap supply line. Farmers, unable to get new machinery, are not scrapping old equipment. Railroads have reduced the scrapping of equipment because of slackened deliveries of new rolling stock. Auto graveyards, which supplied about one-sixth of total purchased scrap in 1941, are holding onto old jalopies for the spare parts in them. Used replacement parts still sell for high prices, with the production of new ones held

back by OPA ceilings. There are no savings for parts going into new production which are absorbing the bulk of production.

A major disappointment in the scrap picture is the light return of battlefield scrap. A battlefield scrap committee visiting Europe several months ago found much less scrap there than had been expected. Lack of labor in the process the scrap is resulting in the loss of much of it to local governments along with other surpluses. Only a small trickle comes back as ballast.

• **Inventories**—The drying up of scrap sources finds the steel industry and scrap dealers with reduced inventories. Steel mill supplies of scrap estimated at a three-week level. Normal inventory is six weeks' supply while scrap dealers hold less than three weeks' supply (normal inventory is about three weeks).

In the face of this, the steel industry envisages an 80,000,000-ton output for the next twelve months. This output should be supported by 2,000,000 tons of purchased scrap a month. Meeting the needs of foundries and other users places current scrap demand at wartime peak level.

• **Failure**—The current shortage of scrap recently provided ammunition for dealers who felt that the industry should get higher prices. Scrap prices



RETAIL SERVICE FOR CIVILIAN FLYERS

While the big tire companies find airport retail stores catering to civilian flying promising ventures (BW—Mar. 16 '46, p. 80), Harris & Frank has started a similar operation in its 90-year-old Los Angeles clothing store. After counting noses in flying classes, checking civilian pilot license figures, and making air surveys, the store installed a Pilots' Lounge, dolled up with a bulletin board for Civil Aeronautics Authority notices. It stocks such merchandise as simulated flying suits and gear, log books, maps, even parachutes. Opening day brought more orders for flying suits than could be filled in weeks.

stationary since April, 1941, except for minor adjustments. Some dealers felt that a \$5-a-ton price rise was needed (Iron Age's composite price is \$9.17 a gross ton).

The scrap industry presented a formal petition to OPA on June 12, asking that prices be increased \$2.50 a ton. This was referred to the OPA advisory committee on scrap, comprising 13 scrap dealers, eight representatives of consumers (steel mills), and one representative of the railroads. The eight mill men voted against the increase, the railroads favored it, but the scrap dealers were divided. The increase was voted down.

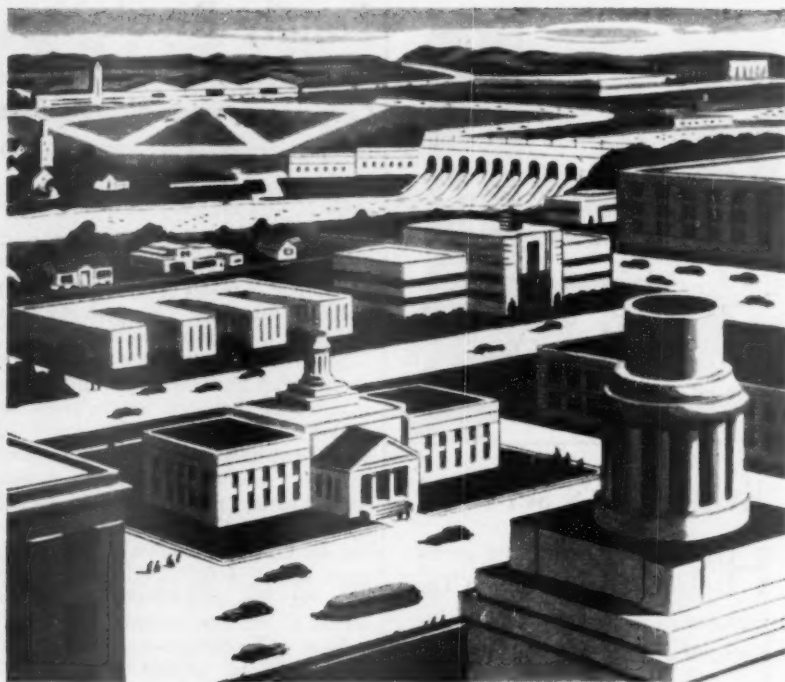
Disagreement—Warren M. Huff, price executive of OPA's metals price branch, concurred in the advisory committee's decision, pointing out that a price increase of \$2.50 a ton on the 25,000,000 tons of scrap needed by the steel industry would raise its costs by about \$60,000,000 and necessitate another boost in steel prices.

The Institute of Scrap Iron & Steel recently stated, "In view of the OPA's decision the scrap industry cannot assume responsibility for any loss of production of steel mills and foundries that might occur due to the lack of scrap." The institute was on the spot, since its members were divided on the price increase. Dealers in urban centers were doing well under present price ceilings, but those in areas removed from scrap-consuming centers, operating at scrap ceilings around \$14-a-ton, were not happy over the price situation.

Call for More—With a price increase unlikely for the present, an informal committee to try to jar loose available scrap was set up by steel and scrap representatives. The committee immediately began to call upon key government officials to see what action might be taken on scrapping surplus or other government-owned equipment.

The steel industry rests its hopes for better scrap supplies on: (1) quick return of scrap to the mills by their customers, to whom direct appeals are being made; (2) awakening of the government to necessity of quicker scrapping of unusable surpluses scattered around the country; and (3) the expectation that the volume of farm scrap will increase in the fall.

Expensive Way Out—Without more scrap, steel mills will have to place greater dependence upon pig iron, which costs over \$6 a ton more than scrap. This means that foundries, which buy merchant iron from the steel mills, will have to place greater dependence upon scrap. The steel industry is likely to press all possible blast furnaces into operation and speed repairs on those now down. It is also reported that the government will put back into operation some high-cost blast furnaces.



How CONCRETE Improves Modern Living

In a hundred ways concrete is helping to make American communities safer, more healthful, more economical places in which to live.

REDUCES FIRE HAZARDS

Schools, hospitals, hotels, office buildings, factories and homes with concrete walls, floors and roofs have the ruggedness, strength and fire-resistance to protect life and property against needless fire losses.

GUARDS AGAINST DISEASE

In sewers, sewage disposal plants, water supply systems and scores of other improvements, concrete is making life in modern cities more healthful and enjoyable.

CONSERVES SOIL AND WATER

In flood control projects and impounding reservoirs, concrete guards life and property against destruction by floods and conserves soil and water—two of the nation's most valuable natural resources.

LOWERS TRANSPORTATION COST

Concrete pavements expedite motor travel; reduce the cost of delivering essential supplies and services; cut traffic accident losses and aid in advancing air transportation.

THESE BENEFITS AT LOW ANNUAL COST

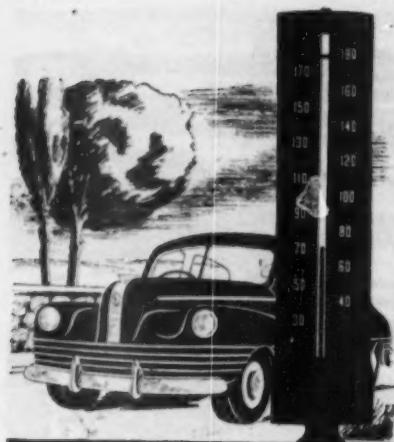
For its many essential community uses, concrete offers moderate first cost, low maintenance expense—long years of service at *low annual cost*—the true measure of economy.

Whatever you plan to build, first consider concrete—the *low annual cost* construction material.

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A national organization to improve and extend the uses of concrete . . . through scientific research and engineering field work



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H EAT works in almost every manufacturing plant. The makers of automobiles are big users of thermometers for processes involving steam, hot water, paints and lacquers.

And if a large proportion of the thermometers are "American" it is because of their enduring accuracy and easy readability. A wide-angled construction admits the maximum light through glareless glass. The broad stripe of red-reading mercury shows up plainly against the sharp, contrasting scale.

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Makers of 'American' Industrial Instruments, Hancock Valves, Ashcroft Gauges, Consolidated Safety and Relief Valves. Builders of 'Shaw-Box' Cranes, 'Budgit' and 'Load Lifter' Hoists and other lifting specialties.

Family Rivals

New Luria Steel & Trading Corp., competitor of Luria Bros. & Co., purchases scrap firms in Chicago, Cleveland.

By acquisition of two key concerns, Luria Steel & Trading Corp. recently has gained a major position in the important but little known business of iron and steel scrap brokerage.

Scrap brokers function at the apex of the scrap business pyramid, acting as middlemen between steel mills and dealers. There are probably about 100 prominent brokers throughout the country, and around 90% of the nation's scrap tonnage passes across all brokers' books. Allowed a commission of 50¢ a ton by OPA regulations, they stand to gross about \$10,000,000 in fees this year on the estimated scrap requirements of the steel industry.

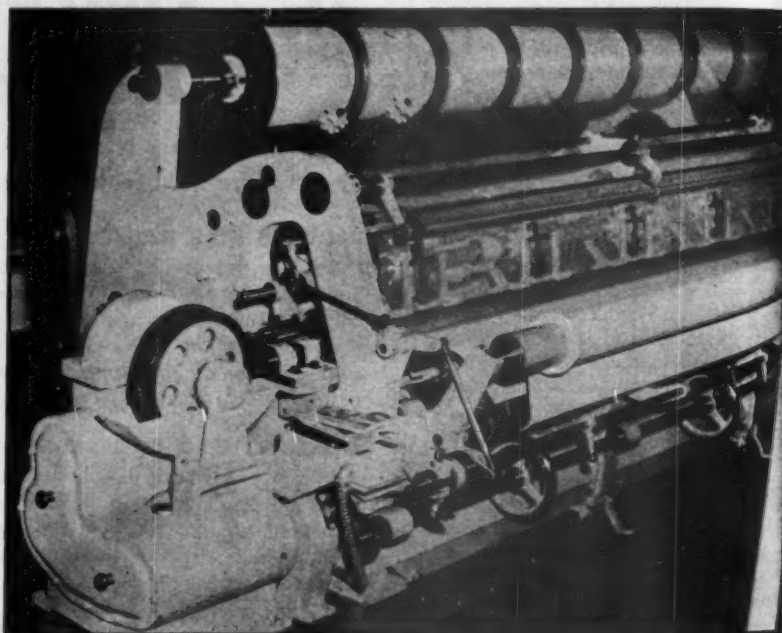
• **New Competitor**—Luria Steel & Trading Corp. is the offshoot of an older concern, Luria Bros. & Co. Both today are actively run by the second

generation of the founders, and the two firms are competitive since they set up as completely separate operations in January, 1945.

Three brothers, Alex, Max, and Abe were the original Lurias. They established a brokerage business of wide scope, with headquarters in New York and offices as far west as St. Louis and Houston. Later they established an allied company, Luria Steel & Trading Corp., organized largely to do export business. Before the war, Luria Bros. may have been twice the size of any competitor, and the trading company was the nation's fourth largest exporter of new steel, ranked only by the big steel producers.

• **Separation**—When the Luria sons began to come out of service last year, the five sons of Max Luria sold their interests in Luria Bros. to the families of the other two original brothers. For those interests they took the shares in the trading company held by other members of the family, plus an undivulged—but very substantial—amount of cash.

During the year and a half since that separation, the trading company has established six domestic branches and



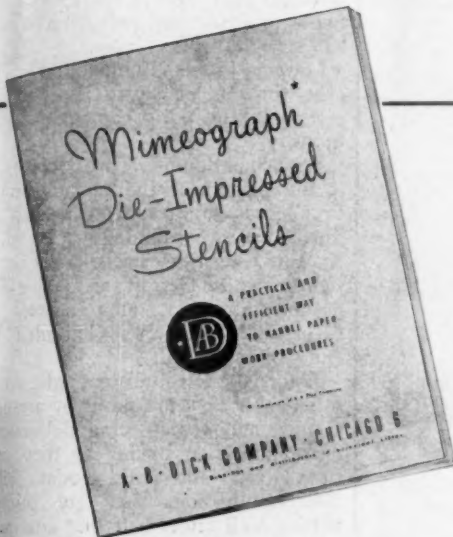
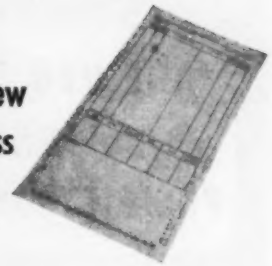
RAPID KNITTER FOR THE TEXTILE TRADE

A tricot knitting machine, said to be the fastest in the country, has been unveiled after several years of hush-hush development. Three times speedier than prewar machines, the knitter is capable of turning out hourly 3.3 linear yards of high-quality fabric 168 in. wide. Only a smaller British machine, not yet in commercial production, reportedly is faster. Initial contract is for 50 machines to be built by Cleveland's Warner & Swasey for Aveco, Inc., Amsterdams (N. Y.) subsidiary of American Viscose Corp. Special features include a solid cast base that provides rigidity, a beam casting supporting the reels which can be demounted in case a larger casting is required.

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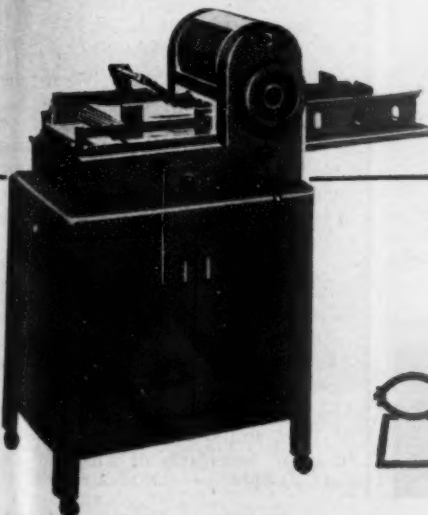
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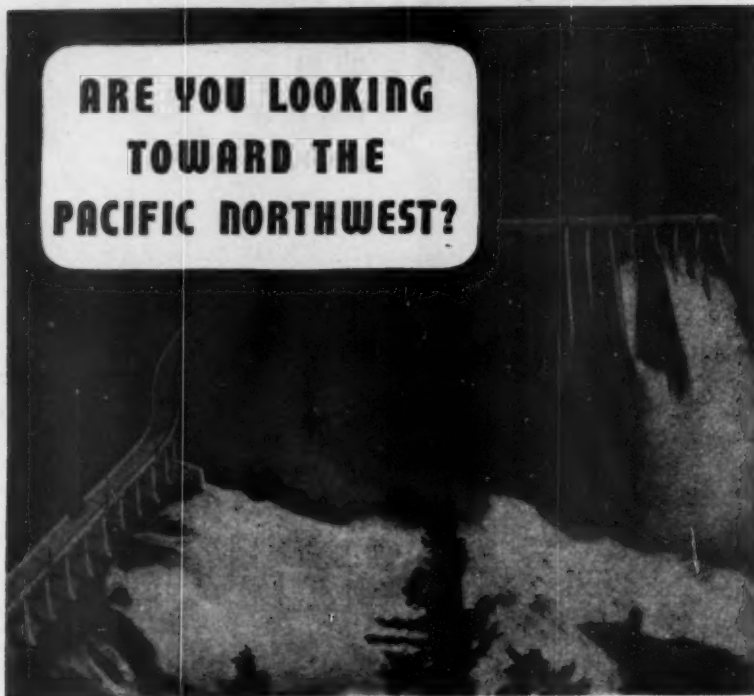
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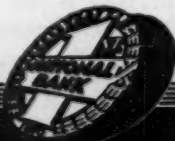
Here, ready to serve you, is a banking institution that knows intimately the needs and possibilities of this district—that covers the State of Washington with its 40 conveniently located offices.

If your operations include any kind of installment sales to consumers, we offer a complete consumer credit service, financing dealer stocks and carrying their installment paper.

This Bank has ample facilities for any kind of commercial banking relating to domestic or export trade.

When you visit the Pacific Northwest, come in and get acquainted. If you wish information, the executive most familiar with the particular subject in question will gladly assist you.

Member Federal
Reserve System



Member Federal Deposit
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SEATTLE-FIRST NATIONAL BANK

Main Office — Seattle
Spokane and Eastern Division — Spokane

a London office, besides the main office in New York. Now the company has bought Erman-Howell & Co., Chicago and Philip W. Freider Co., Cleveland both big scrap firms in their respective cities.

• **Expansion**—The trading company is renewing its export business in new steel and enlarging Luria Engineering Corp., which grew sizably during the war by building airports and industrial structures.

Luria Bros., however, remains much larger. It has eleven branches and New York headquarters. Luria also operates its own yards in many cities, serving as processor and independent buyer and seller as well as broker.

• **Lower Profits**—Comparatively few other brokers classify as national operators in the hotly competitive scrap industry.

Schiavone-Bonomo Corp., Jersey City is the biggest of the eastern brokers. In Chicago, hub of a great scrap producing and consuming area, M. S. Kaplan, Hyman-Michaels, and Price are significant. In Detroit, also a big scrap producing center, are Keywell and Grant. Cleveland has Columbia Iron and Cohen & Son.

Before the war, brokers might average as much as \$1 a ton profit by arranging a price and guaranteeing deliveries to mills, and then buying as they could from dealers and yards. Today, with a 50¢ commission, they are probably netting well under half that amount.

MAPLE SUGAR LAGS

Maple sugar won't ease the sugar shortage much this year. Down last year to about one-third of the ten-year (1934-43) average, output this spring was a little better—337,000 lb. of sugar compared to 237,000 lb., and 1,354,000 gal. of sirup, as compared to 991,000 gal. Prematurely warm weather ended the tapping season ahead of normal.

The number of trees tapped (1944 figures in parentheses) shows Vermont still leads; Vermont 3,298,000 (3,111,000), New York 2,686,000 (2,202,000), Ohio 532,000 (560,000), and Michigan 502,000 (474,000).

About half the sirup formerly went to wholesalers for repackaging, mixing and labeling, but this year many grove owners are selling direct to consumers in order to get as big a return as they can under OPA ceilings.

Canada produces about three times as much sirup and nine times as much maple sugar as the United States, but imports from the Dominion will be comparatively low because of home demand. Last year Canada sent the U. S. 112,000 gal. of sirup, about one-fourth of 1942 shipments, and 3,902,000 lb. of sugar, two-thirds of what the U. S. got in 1942.

Individualism Pays

Unorthodox steel company and equally unusual union keep mills running during nationwide crisis, easily agree on wages.

Long a maverick in the steel industry, Keystone Steel & Wire Co. of Georgia, Ill., has again demonstrated its rugged individualism. During the recent steel (BW—Jan. 26 '46, p15) and coal (BW—May 4 '46, p15; May 11 '46, p15) strikes all hands stayed on the job; full production was maintained.

Raises Without Strikes—The Independent Steel Workers' Alliance, union of Keystone production employees, is equally unorthodox. I.S.W.A. bargains for 1,600 workers, has about 1,375 dues-paying members in the traditionally open shop.

With the general steel strike imminent in mid-January, company and union decided on an immediate 12½¢ hourly pay raise. Then, while all but a handful of their competitors idled through the payless weeks, I.S.W.A. members kept the furnaces and mills going at Keystone. Later, when the nationwide strike tumult had subsided, I.S.W.A. officers (all working members) and company officials quietly agreed on another 6¢ per hour. Total: the fashionable 18½¢ which the C.I.O. set by striking 95% of the industry.

Scorns National Unions—I.S.W.A. has steadfastly refused to be swallowed by any national union. In April, 1944, the National Labor Relations Board stepped into the picture. The United Farm Equipment & Metal Workers of America (C.I.O.) had charged that the Key-

stone management dominated I.S.W.A. over protests from a string of employee-witnesses and despite Keystone's offer to put every man in its plant on the stand, the trial examiner ruled against the company.

After NLRB upheld this decision, Keystone appealed to the U. S. Circuit Court. Meanwhile NLRB, in February, 1946, ordered election of a bargaining agent with I.S.W.A. excluded from the ballot. The count:

U.F.E.M.W.A.	270
Intl. Assn. of Machinists (A.F.L., suspended)	66
Neither union	969

• **Share in Profits**—The circuit court in April made it a double victory for the independent union by reversing NLRB's decision. Keystone continues to recognize I.S.W.A. To justify their preference members say:

(1) They know of no other union in the steel industry whose members share in profits of the company.

(2) Their wage rates, according to company and union statistics, have been higher than the industry average for 16 years. An example:

	Average Wage Per Hour	
	Keystone Steel	Steel Industry
1937	\$.878	\$.824
1945	1.409	1.257

(3) For these results they pay dues of 50¢ a month, roughly ¼ of those prevailing in the industry.

• **Solved Fuel Problem**—Keystone had long been fairly certain that it would have no postwar strike in its own plant. But when John L. Lewis and the United Mine Workers threatened a long strike, management was forced to look beyond its own gates.

Gas from the Panhandle Pipe Line nearby, and oil delivered by river barge at the plant's back door are usual fuels



WHEN YOU
NEED
STEEL —

FOCUS ON THE

Symbol of Service

EVEN under present-day difficulties, you can depend upon us to do our best to fill your needs as completely and quickly as possible. Through our nine conveniently located warehouses, every effort is made to have available adequate, well-balanced stocks. And our engineers are ready and eager to help you with any problem involving the selection, application and fabrication of steel. For these reasons steel users recognize this label as the *Symbol of Service*.

Whatever kind of steel you want — Hot Rolled or Cold Finished Bars, Structural Shapes, Plates, Sheets, Alloy Steel, Stainless Steel, Tools, Machinery, etc. — phone, wire or write our nearest warehouse. Your orders and inquiries will get courteous attention and prompt action.

LISTEN TO . . . the "Hour of Mystery" presented by United States Steel on the radio every Sunday evening. Consult your local newspaper for time and station.

UNITED STATES STEEL SUPPLY COMPANY

CHICAGO (90)	BRUnswick 2000
BALTIMORE (3)	GlImmer 3100
BOSTON (Allston 34)	STAdium 9400
CLEVELAND (14)	HEnderson 5750
MILWAUKEE (1)	MItchell 7300
NEWARK (1), N. J.	Bigelow 3-3920
REctor 2-4570	BÉrgen 3-1614
PITTSBURGH (12)	CÉder 7780
ST. LOUIS (3)	MAIn 5235
TWIN CITY, St. Paul (4)	NEster 2821

UNITED STATES STEEL



Reuben E. Sommer (left), Keystone Steel & Wire Co.'s president, is of Amish descent—a factor synonymous with individualism expressed in the fight for the Independent Steel Workers Alliance headed up by Walter Mingus (right).

You can't get away with it



Extravagant steam costs cannot be absorbed in a competitive peacetime economy

OBSOLESCENCE is catching up with many plants which did a good war job. The waste of old-fashioned firing methods is quickly shown when costs are analyzed in the light of results from modern equipment.

Iron Fireman stokers cut steam costs. Their scientific, precision firing extracts heat from coal with high efficiency. Continuous automatic adjustment to variable loads saves fuel. The result is a record of Iron Fireman savings which no manager can afford to ignore. This fuel savings record covers many thousands of installations

all over the nation, in all types and sizes of boiler plants.

For example, wood treating plant cuts fuel bills 35%

In the plant of the Forest Products Treating Co., The Dalles, Oregon, Iron Fireman stokers reduced coal consumption from 2.16 to 1.4 pounds of coal per cubic foot of wood treated—a reduction of 35%, as compared with the previous method of firing under the same boilers. Nearly 2,000 tons of coal a year, previously wasted, are now being saved.

What about YOUR steam costs? Is your plant wasting what Iron Fireman users are saving? You can get an accurate and impartial answer, without cost or obligation, by requesting a survey of your boiler plant. Write to Iron Fireman Mfg. Co., 3018 W. 106th St., Cleveland 11, Ohio, builders of stokers, oil burners, self-firing boilers, furnaces for home heating, and commercial and industrial stokers. Plants in Cleveland; Portland, Oregon; Toronto, Canada. Engineering, sales and service organization covers the continent.



for the company's furnaces and mills. But its 17,000-kw. power plant, installed in 1940, used coal. A solution, however, was found. Shortly before the coal supply was cut off, gas and oil jets were installed under the power plant boilers—and production kept rolling along.

• **Installed Own Furnaces**—The company originated in 1889 at Tremont, Ill., as the Keystone Woven Wire Fence Co. It was founded by the grandfather, uncle, and father of Reuben E. Sommer, present president, and five members of this family of Amish descent now serve on its board of directors.

The company's first product was smooth wire fence, "horse high, pig tight, and bull strong." A new departure, it sold on the strength of enclosing, not injuring, stock. In the intervening 57 years, other lines of product have been added; the company stopped buying steel on the open market and installed its own furnaces in 1917.

Keystone sells only 10% of its 302,400-ton annual output of open-hearth steel, and this fraction goes to its subsidiaries, National Lock Co. and Mid-States Steel & Wire Co. Of the other 90%, half is sold as wire to fabricators, the other half goes to the farm and building trades in the form of fence, barbed wire, and steel gates.

• **Greater Profit Margin**—Simplicity is the word for Keystone's finances. Of its single stock issue (common), split 24 for 1 since 1929, 757,632 shares are outstanding. In a week's trading on the New York Stock Exchange, 500-700 of them may change hands at prices currently around \$55. In the first half of 1946 stockholders received dividends and extras of \$1.40, equal to total payments in 1945. Since 1900, the company has made money in all but two years, 1921 and 1932. Reason: Keystone's net sales (\$21,169,892 in 1945) carry a profit margin consistently above that of the industry:

Year	Percentage Profit on Net Sales	
	Keystone Steel	Steel Industry
1938	7.54	—44
1941	10.29	5.44
1945	7.67	3.06

• **Modern Methods**—Basic principles of how this is done are:

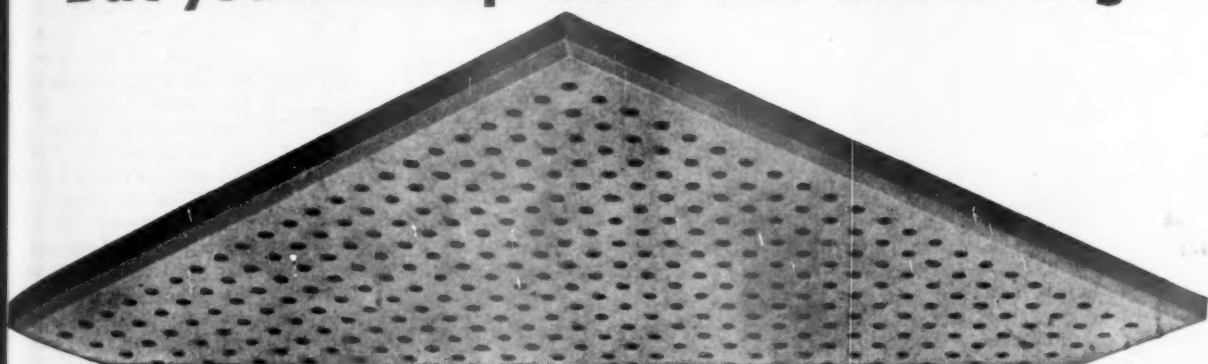
- (1) Maintain uninterrupted production.
- (2) Finish a large portion of the basic steel output into end products.
- (3) Follow straight-line production flow from scrap steel to finished products.
- (4) Develop more high-speed machines. (Keystone designs and builds its own.)

• **Current Orders**—Keystone has no backlog. The sales force estimates that it could write orders covering production for three years to come. But it won't; business is booked only for the current quarter's output.

You can't shout down Noise Demons




But you can trap them with this ceiling



It's Armstrong's Cushiontone

RAISING YOUR VOICE is no answer to the problem of office noise demons. In fact, loud talk combines with clattering machines, shrill bells, and hurrying feet to cause noise demons. And it's a known fact that noise demons wear out your nerves, fray your temper, and reduce your efficiency.

But you can end noise demons, once and for all, with a ceiling of Armstrong's Cushiontone.* This economical, fibrous material has 484 deep holes per square foot which absorb up to 75% of all noise reaching the ceiling. Cushiontone is an ex-

cellent reflector of light. It can be repainted many times without loss of acoustical efficiency. **Free booklet** gives all the facts. Write for "How to Exterminate Office Noise Demons," to Armstrong Cork Company, 3006 Stevens Street, Lancaster, Penna. 

* Reg. U. S. Pat. Off.



FDA Challenged

Judge denies government has the right to take a machine used in "healing" rites away from owner who wants it.

Since time immemorial, medicine and the healing arts have been interwoven with religion. This relationship has, on occasion, made trouble for law enforcers.

Witness the story of "Spectro-Chrome," which is the brain child of Dinshah Ghadiali, a fez-wearing little man now past 70, who styles himself a "Parsee Zoroastrian." Ghadiali has built up a therapeutic cult whose ritual centers around a device that is essentially nothing more than a source of colored light.

• **Adjudged Worthless**—A year ago, after one of the longest trials in the history of the Food & Drug Administration, the spectro-chrome machine was adjudged worthless and potentially harmful, since its use in serious cases postpones competent treatment.

The followers of Ghadiali, however, "tonate" themselves according to a manual which recommends the light treatments for every kind of ailment. If it had a record player, the machine would look like a juke box. Interchangeable colored glass plates provide the light variations which, according to FDA, are just what no doctor would order.

• **Shipments Enjoined**—Last year, in New Jersey, U. S. District Judge Robert A. Inch, took the unprecedented step of adding to a condemnation decree an injunction against further shipments of the machine and its accompanying literature.

Since then a number of district judges have issued contempt orders to compel delivery of the machines for condemnation, notwithstanding arguments in some cases that the machine is an aid in healing practices of a religious nature rather than a curative agent in itself.

One federal judge, however, has refused to violate the mysteries of the Zoroastrian cult.

• **Back to the Owner**—U. S. District Judge Claude McCulloch of Portland, Ore., has ordered a spectro-chrome ma-

chine returned to the home of its owner.

Judge McCulloch said he did this to pose the clear-cut issue of whether an instrument harmless in itself, but accompanied by misleading literature, may be seized against his will from a legally competent adult who states that he is satisfied with the machine, is being helped by its use, and wishes to keep it.

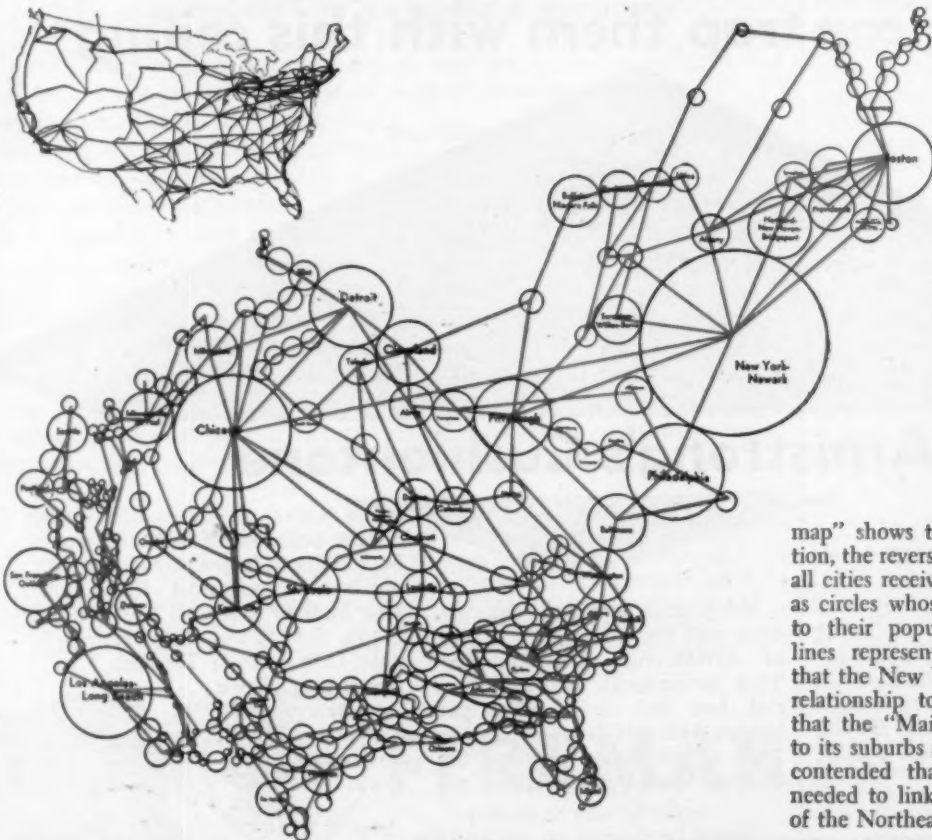
• **Opposed Viewpoints**—The government invoked that part of the Food, Drug & Cosmetic Act which says a misbranded article may be seized and condemned "while in interstate commerce or at any time thereafter."

Judge McCulloch did not agree that this permits entry of the home of a satisfied customer. He said the government was claiming a "paternal right to control the manner in which a person shall seek to cure himself," and suggested that federal judges should "dust off the Constitution."

• **Another Test**—A case pending in Columbus, Ga., will test for the first time whether consumer protection afforded by the Federal Food, Drug & Cosmetic Act extends to retail sale of dangerous drugs without prescriptions.

FDA officials, in complete disagree-

Who Gets Best Air Service—East, or South and West?



Delta Air Lines, operating in the Southeast, came up with a novel approach to the question of which section of the country enjoys the best air service when it presented to the Civil Aeronautics Board arguments for its proposed new route into Washington, New York, and Boston. The conventional airline map (upper left) shows a high concentration of lines serving the East, with plenty of "wide open spaces" in the West and South. But Delta's "population density map" shows that, in terms of population, the reverse is true. On Delta's map, all cities receiving air service are shown as circles whose sizes are proportionate to their population, with connecting lines representing air routes. Arguing that the New York area holds the same relationship to the rest of the nation that the "Main Street" of a city does to its suburbs and trade territory, Delta contended that its proposed route is needed to link the "wide open spaces" of the Northeast with the South.

ment with Judge McColloch's reasoning in the Spectro-Chrome case, hold that the intent of Congress was to protect the consumer from adulterated and misbranded products shipped in interstate commerce and afterward, regardless of where they may be found.

CAVE GAINS PATRONAGE

The government's giant underground icebox, a 15,000-acre cave near Atchison, Kan., cleared \$4,000 in May before deduction of any allowance for amortization of the \$2,000,000 investment.

Bagged potatoes are steadily moving into the cave, a natural limestone vault where three compressors have lowered temperatures to a 31 F-to-55 F range. The spuds await use as food or as a source of potable alcohol.

Dried eggs, foods used in school lunch programs, and fat backs for UNRRA are also in the cave, bringing the present total up to about 6,000 tons. The capacity is 52,000 tons.

The Dept. of Agriculture, which operates the icebox that War Food Administration built (BW-Jul.15'44,p17), expects to store a new product soon. Alfalfa meal, which is hay chopped up for mixing with animal foods, has been found to keep its carotene content in cold storage. So, with the approval of the American Warehousemen's Assn. (which might have raised a howl about government competition), millers are dickering with the department over prices for storing as much as 10,000 tons.

FUNERAL COSTS REPORTED

Cost of the average funeral in 1945 was \$332.98, according to a recent report issued by the National Selected Morticians, a trade group representing 500 of the country's funeral directors. This was \$36.50, or 11.25%, more than the average figure reported by the same group in 1944.

The increase, N.S.M. hastened to point out, is due to wartime prosperity that led families to order more elaborate and expensive funerals, and not to increased funeral prices. In fact, N.S.M. claims that rising labor costs superimposed upon OPA regulations holding funeral prices to March 1942 levels have squeezed undertakers' profit per funeral from \$43.99, or 14% of the total price, in 1944, to \$37.14, or 11.2%, in 1945. These figures are derived from 93,600 funerals conducted by N.S.M. members. Reports from the 10,636 members of the older and more inclusive National Funeral Directors Assn. show only a slight upward trend.

Funeral directors say that the variety of selection offered by casket manufacturers since the war is narrower, but full price lines are still available.

MEMORANDUM

TO MANAGEMENT



The Society for the Protection of Working Girls would probably have you believe that nothing good ever resulted from war time experiments with share-the-taxi. But we on Business Week know differently.

In almost any issue you will find reported and analyzed the latest available business news from reviving central Europe. It would not be here in quite its present form had it not been for share-the-fare.



Business Week's cables from Prague bear the double barrelled signature of Frank E. Frank who, in a 1943 dim-out, shared a rough rear seat with foreign editor John Chapman. To Business Week's eventual good fortune, it was impossible for the strangers not to become well acquainted.

As Chapman told the story originally, the ride had barely begun when he discovered that he and his new friend spoke the same language. But in the light of later knowledge this was no feat, for Frank Frank is capable of speaking seven languages.

What was rare, however, was the fact that Frank was looking for a job, a particular kind of job. And Chapman was looking for a man, a particular kind of man.

He was looking for a working journalist who might have had college training at, say, Charles University in Prague, a couple of years at the Sorbonne, and maybe special economic studies in Budapest. His man would have specialized in a major Balkan industry such as textiles, but would have a good round knowledge of steel, shoes, glass, and other middle Europe commodities.

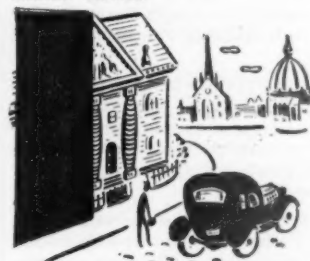
It would be dreaming, of course, but this fellow would be highly desirable if he had spent some time in the States and had actually done some merchant-

dising and retailing; perhaps in the dry goods business in a town like St. Louis.



Naturally, he would be a reporter... long on writing and longer yet on news-getting. But that wouldn't be quite all.

The man Chapman was looking for would have a well-founded optimism for U. S. trade in central Europe after the war's end. He would recognize the inevitable amount of marriage between those countries and Russia, but he would also be aware of the considerable natural affinity of their people and the people of the United States.



Chapman's man would know that with the spectre of Hitler gone and with German industry impotent, Czech and Polish and Balkan business would begin coming to the U. S. for the capital goods and "big stuff" needed. And for the technical advice they lack.

He would know that fast, accurate news of all of this would be of top importance to American management. To importers, to exporters, to shippers, to financiers, to a host of others.

All of which is the best description I can give you of Business Week's correspondent in Prague, Frank E. Frank.

Paul Montgomery
PUBLISHER



Are you taking this position on DDT?

Have you been thinking of how DDT can work for you . . . as the basic ingredient in a new product . . . as an "extra" selling-point on something you're manufacturing now?

The buying public is looking for DDT . . . expecting it to turn up in many easy-to-use forms . . . in paints, in polishes, perhaps even in soaps. And the man with a good DDT product may have a lucrative market ahead!

Du Pont will help the manufacturer with a DDT idea. He can draw upon the wealth of laboratory and field experience gained by Du Pont as a major supplier of DDT to the government during the war.

And Du Pont can supply Technical Grade DDT that's uniformly dependable because of the way it is manufactured. It works well in either dry or liquid formulations and dissolves quickly, forming clear solutions.

If you have a DDT idea—whether for insecticide or new type product—work it out with Du Pont. E. I. du Pont de Nemours & Co. (Inc.), Grasselli Chemicals Department, Wilmington 98, Delaware.

**If it has to do with DDT,
work it out with DU PONT**



BETTER THINGS FOR BETTER LIVING
THROUGH CHEMISTRY

FINANCE (THE MARKETS—PAGE 102)

Katy Signs New Lease on Life

Pioneer southwestern railroad, rehabilitated by wisely spent war income, stresses on-the-line management, opportunities of industrialization in the growing area the road serves.

Nowhere did the depression thirties cut a wider swath than in the railroad field. In that bitter decade no region proved immune. At least one "home" road in each section of the country finally was forced to throw in the sponge and head for the bankruptcy courts (BW—Dec. 22 '45, p. 63).

Roads serving the Southwest proved particularly vulnerable. Still in reorganization after a decade are such southwestern giants as the Rock Island, Missouri Pacific, St. Louis-San Francisco, and St. Louis Southwestern systems.

• **Fine Nursing Job**—Not all the region's carriers fell by the wayside in the '30s, nor were the two "transcontinentals" serving the Southwest, the Atchison and the Southern Pacific the sole survivors. Still solvent, albeit a bit groggy, when war changed the picture was a truly local road, the Missouri-Kansas-Texas R.R., for 76 years an integral part of the Southwest's economy.

That the "Katy" was still standing on its feet as 1940 ended wasn't merely tribute to its native stamina. Just as responsible for its continued solvency since 1929 has been the skillful 24-hour nursing job administered by its staff and management. The accomplishment is a saga of modern day railroading.

When Katy ended 1929 with revenues of \$56,000,000 and \$9,400,000 of net, it seemed well situated financially to cope with almost any contingency. Working capital, for example, was \$12,659,000, the equivalent of three years requirements for fixed charges while cash and government bonds alone totaled up to \$11,440,000.

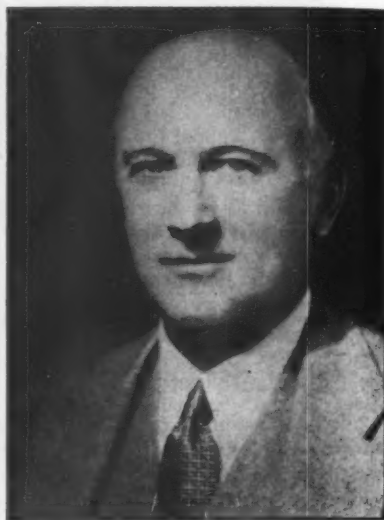
Four years later, however, the road was struggling to survive. By then revenues had nose-dived 55% under 1929 levels. Earnings had slumped even worse; by 1933 they were \$838,000 less than needed to pay fixed bond interest. From then on, except for 1936, earnings didn't cover fixed charges for a long time. Nor did Katy's revenues exceed 57% of their 1929 total in any subsequent year until the war came along.

• **Looked Hopeless in 1940**—From 1933 through 1940, the road failed by some \$13,300,000 to earn fixed interest. By 1940, despite a grudgingly granted \$2,824,000 Reconstruction Finance Corp. loan to help out in 1938, cash was down

to around \$2,600,000. Current liabilities were then \$400,000 greater than current assets.

To make matters even worse, due to its long need to skimp and save, the end of 1940 saw 43% of Katy's locomotives and much of its freight car fleet laid up for repair.

To Wall Street Katy's situation looked particularly hopeless. By then the market value of its first mortgage



Mainspring of the Missouri-Kansas-Texas R.R. is Chairman Raymond J. Morfa (above), who has deserted the main office in St. Louis to work in Dallas—vantage point from which to direct Katy's southern operations. Universally known as "Mike," Morfa was among the unemployed in 1932, changed that situation by his aptitude for ringing doorbells. He was enlisted by the Van Sweringen brothers for a door-to-door search for assents needed to obtain an extension on notes on the Nickel Plate Road. He brought back plenty, was a key man when Robert R. Young took over the Van Sweringen properties. The next step was assistant to Young, burdened with the chairmanship of Chesapeake & Ohio, then he left Young to head Katy.

Life

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These Yoloy doors...

... ARE 25% LIGHTER

... OPERATE MUCH EASIER

... ARE STRONGER AND TOUGHER

... RESIST CORROSION AND WEAR

... LAST YEARS LONGER



Above is the door used by the Santa Fe, fabricated from Youngstown's Yoloy—high-tensile nickel-copper-phosphorus steel—by the Youngstown Steel Door Co.

THIS is one of 500 new automobile cars, all equipped with Yoloy doors. On this one door order, by specifying Yoloy, the Santa Fe saved well over 125 tons of steel—eliminating a dead-weight haul equivalent to three carloads of freight every day, for the life of the cars.

Each Yoloy door is more than 125 pounds lighter than a comparable door of carbon steel. How much easier to operate! At the same time, the Yoloy doors are stronger and tougher, more resistant to shock, impact, vibration, abrasion and corrosion. They hold their shape better under abuse, require less upkeep, last longer. Increased life considered, the Santa Fe Railroad certainly

bought very low cost doors!

Yoloy is Youngstown's low-alloy high-tensile, corrosion-resistant steel. Its advantages have been proven in more than ten years of railroad service. It is available for boxcar doors and sides, as well as in sheets, bars, rods and tubing. If you don't know Yoloy, write for information.

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Wire-Cold Drawn Carbon Steel Rounds-Tie Plates and
Spikes-Conduit-Electrolytic Tin Plate-Coke Tin Plate

This announcement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offering is made only by the Prospectus.

NEW ISSUES

June 11, 1946.

American Airlines, Inc.

\$40,000,000

3% Sinking Fund Debentures, due June 1, 1966

Price 100%

and accrued interest from June 1, 1946

400,000 Shares

3½% Cumulative Convertible Preferred Stock

(Par value \$100 per share)

Price \$102 per Share

and accrued dividends from June 1, 1946

Copies of the Prospectus may be obtained within any State from such of the underwriters, including the undersigned, as may lawfully distribute the Prospectus in such State.

Kidder, Peabody & Co. Lehman Brothers Glore, Forgan & Co. Emanuel, Deetjen & Co.

Smith, Barney & Co. Blyth & Co., Inc. Eastman, Dillon & Co. The First Boston Corporation

Goldman, Sachs & Co.

Merrill Lynch, Pierce, Fenner & Beane

Stone & Webster Securities Corporation Union Securities Corporation White, Weld & Co.

This is under no circumstances to be construed as an offering of this Preference Stock for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Stock. The offer is made only by means of the Prospectus.

NEW ISSUE

50,000 Shares

GENERAL SHOE CORPORATION

\$3.50 Cumulative Preference Stock

(Without Par Value)

Price \$102.25 per share

Copies of the Prospectus may be obtained from the undersigned only in such States as it may legally offer this stock in compliance with the securities laws of such States.

Smith, Barney & Co.

June 12, 1946



LIGHT ON SPOON RIVER

The Spoon River country, enshrined in American folk lore by Edgar Lee Masters' poems, proves it's no back number when it comes to things practical. Spoon River Electric Cooperative, Inc. (above), Canton, Ill., is one of five associations to which the Rural Electrification Administration recently granted loans totaling over \$1,000,000 for farm communities in five states. Spoon River's share—\$198,000—will add 110 miles of new line and serve 250 new customers.

bonds had slumped to only 19¢ on the dollar. Second mortgage bonds brought 7½% of par and its preferred, dividendless since 1931, \$1.50 a share. On the New York Stock Exchange, four shares of Katy common could be bought for \$1.

• **Hurt by Drought**—The drastic post-1929 decline disclosed in the Southwest's rail haul wasn't all due to the depression. Recurrent droughts had cut the agricultural load, normally a big provider of revenues. There had also been government-imposed restrictions involving oil, grain, and cotton.

The sharp concurrent drop in exports and their subsequent slow recovery had hit the Katy particularly hard, as exports always provide lucrative loadings for roads plying between interior producing areas and the seacoast. And an accentuating factor was the gradual loss to pipelines of its once profitable oil traffic.

• **Rebounds in Wartime**—The defense program and the war combined quickly to bring Katy out of its depression doldrums. Many important traffic-generating military posts and armament projects were established in its area. Oil and agricultural loadings went zoom-

ing, and war rapidly accelerated the
 er persistent trend toward Texas
 industrialization.

On its freight cars the 3,253-mi. Katy
 proclaims that it "serves the Southwest
 well." There's truth behind this boast
 since the line extends southward from
 St. Louis and Kansas City, major east-
 west traffic gateways, via important Mis-
 souri, Kansas, Oklahoma, and Texas oil
 producing, agricultural, and industrial
 areas, to San Antonio, rail gateway to
 Mexico and the lush Rio Grande Valley
 farming area, and to the important Gulf
 ports and industrial areas of Houston,
 Texas City, and Galveston.

Technically, Katy is a north-south car-
 rier. Actually, it is more than that. It
 also interchanges freight at many points
 with roads running in all directions, and
 normally acquires some 50% of its traf-
 fic from such exchange. Its St. Louis-
 Kansas City main line is likewise an im-
 portant east-west freight route.

Income Sets Record—Katy soon was
 flooded with war traffic. Despite its poor
 prewar physical condition, by 1942 rev-
 enues reached levels twice those of 1940.
 In 1943, they set a new all-time high,
 leaped further to around \$84,000,000
 in 1944, and were only slightly less in
 1945.

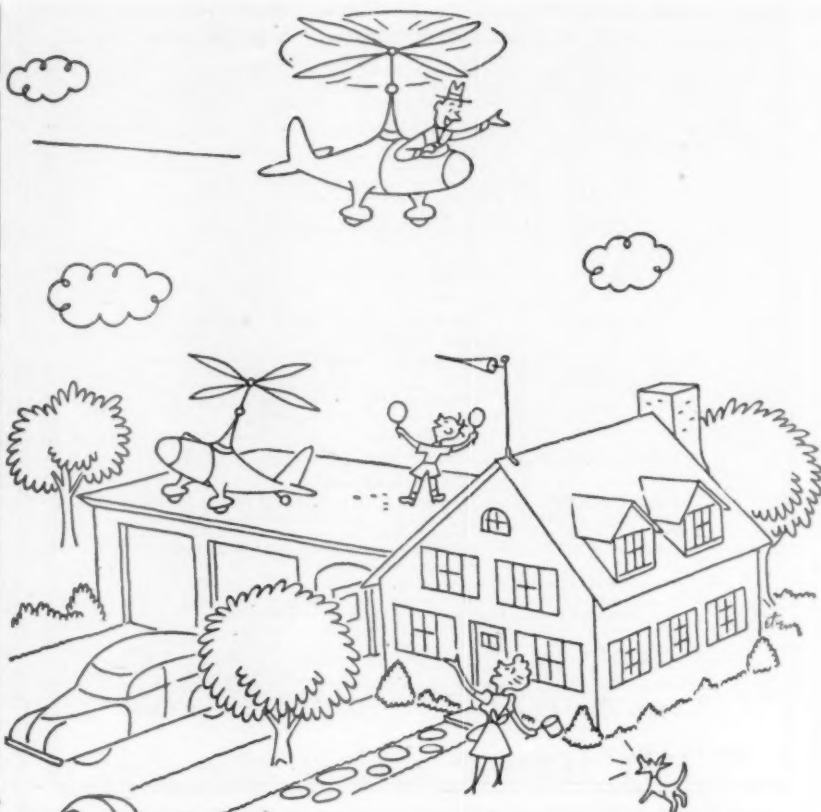
Earnings, after fixed charges, also sky-
 rocketed. Even though they set no new
 records, in 1942-45 they reached the
 tidy sum of \$25,663,000. This was ac-
 complished despite maintenance ex-
 penditures of some \$107,000,000, and
 tax payments of \$36,440,000.

Timely Renovation—Katy's wartime
 rehabilitation program strengthened
 every element of the property. Some
 1,127 locomotives, 6,408 freight cars,
 26 passenger cars, 3,118 caboose, work
 cars, motor cars, and other track ma-
 chines, and 253 various structures were
 repaired or reconstructed. Almost 5-
 000,000 cross ties were renewed, nearly
 500 mi. of new heavier rail was laid,
 443 mi. of main track were rebalasted,
 and freight yard facilities were substan-
 tially enlarged.

As a result, only six of its 7,248 freight
 cars recently awaited major repairs.
 Only 23 of Katy's 310 locomotives also
 needed attention, and the management
 could report that the system was "in
 better physical condition than ever be-
 fore in its history."

Funded Debt Cut—While war traffic
 was flooding the till with cash, Katy's
 management became active in cutting
 down its heavy debt load via open mar-
 ket purchases of its bonds. By the end
 of 1945, funded debt was cut to \$42-
 400,000, or almost 43%, under 1939
 levels. Yearly fixed charges had been
 sliced some \$2,200,000, or virtually
 halved.

More important still, Katy wasn't
 stripped of all its wartime fat by its
 rehabilitation programs. It could re-



2 helicopters on every roof

Pardon the glimpse into the future, but think what mass production
 has done for us in the past — it has boosted our standard of living
 ahead of any other country on earth.

Yet mass production is *not* the last word in lowering manufacturing
 costs. Over the past 40 years, Nichols has developed a *precision*
 production method to make parts and assemblies cheaper. It is called
 "Mass Precision." By using this method, tolerances to "quarter-
 tenths" and surface finishes to "millionths" are routine — parts are
 produced on a strictly interchangeable basis — prices are lower
 than those obtained by the usual mass production methods. And
 "Mass Precision" offers a solution to problems that are "impossible"
 by any other means.

To see what this method has done for others, write for new booklet,
 "Mass Precision" — it suggests what Nichols can do for you.

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This announcement is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy or as a solicitation of an offer to buy any of these securities. The offer of these securities is made only by means of the Prospectus. This announcement is published in any State in which it is circulated on behalf of only such of the undersigned as may legally offer these securities under the securities laws of such State.

NEW ISSUES

The Mead Corporation

\$12,000,000 3% First Mortgage Bonds

Dated June 1, 1946

Due June 1, 1966

Price 103% and accrued interest

70,000 4 1/4% Cumulative Preferred Shares

(Par Value \$100 per Share)

The 4 1/4% Cumulative Preferred Shares are being offered by the Company (subject to certain conditions) to holders of, and in exchange for, its outstanding \$6 Cumulative Preferred Stock, Series A, and \$5.50 Cumulative Preferred Stock, Series B. Unexchanged shares may be offered by the Underwriters as set forth in the Prospectus.

101,056 4% Cumulative Second Preferred Shares

(Par Value \$50 per Share)

The 4% Cumulative Second Preferred Shares are being offered by the Company to holders of its Common Shares for subscription at \$53 per share through the issuance of Subscription Warrants. Unsubscribed shares may be offered by the Underwriters as set forth in the Prospectus.

Copies of the Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned as may legally offer these securities in compliance with the securities laws of such State.

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HARRIMAN RIPLEY & Co.
Incorporated

GLORE, FORGAN & Co.

G. H. WALKER & Co.

June 12, 1946.

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By ERWIN H. SCHELL

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- opposition
- stubbornness
- disloyalty
- dishonesty
- immorality
- irresponsibility
- the agitator
- difficulties with superiors and associates
- responsibility for errors

cently point to \$7,189,000 of working capital, and cash items, alone, of \$20,665,000.

• **New Equipment**—Katy's subsequent rehabilitation expenditures won't be large. However, in gaging the future it's well aware that maintenance of high rate of operating efficiency is imperative. Thus in 1946 some \$7,000,000 will be spent on roadway improvements, and \$6,000,000 on equipment including a diesel-powered streamliner passenger train, 13 diesel engines (start toward eventual complete dieselization of its freight service), and 26 freight cars.

More debt retirement is in the cards for 1946. Already substantial progress has been made in that direction, and a 1 1/2% term bank loan for \$4,750,000 was recently secured to finance further purchases of bonds for retirement.

Where the future is concerned, Katy's management—led by R. J. Morfa, Robert R. Young-trained railroadier who became chairman last fall (BW-Oct. 6 '45, p. 72), succeeding the late Matthew Sloan—is most cheerful. Morfa sees great things ahead for that huge slice of the nation that Katy has faithfully served for so long, and he's planning to see that it shares fully in the benefits.

• **New Economic Trends**—Causing his optimism is the radical change that has taken place over the last decade in the basic economy of Katy's service area. No longer, for example, do the Southwest's farmers generally depend for their living on such old standbys as cotton, corn, and cattle. Their output now comprises a wide line of agricultural products providing greater and more stable income, higher local purchasing power, and more lucrative rail traffic.

Even more pronounced has been the rapid industrial development along the Katy lines. In Texas alone the number of manufacturers has doubled since 1934, and the value of home manufacturers has increased tenfold.

Industrialization has similarly sharply increased Katy's potential customers. Residents of such Katy cities as San Antonio, Houston, Fort Worth, and Dallas have jumped 200,000 collectively in only five years. Other cities along its line show proportionate gains in population.

• **Merger Possible**—It's because of these factors that Edward N. Claughton, now one of Katy's largest stockholders and spearhead of last year's bitter fight to oust Sloan as its dominating factor (BW-Mar. 17 '45, p. 56), was recently instrumental in arranging negotiations which may later lead to Katy's absorption of the Chicago Great Western and Chicago & Eastern Illinois systems and becoming a genuine Great Lakes-to-the-Gulf rail artery (BW-Feb. 16 '46, p. 68).

The road's longer term postwar outlook has had repercussions in other quar-

Even though 1946 first half earnings will run sharply under 1945 levels because of strikes, higher wages, the loss of temporary war traffic, etc., Wall Street, once so pessimistic about Katy's chances of survival, now think its securities hold much speculative promise. As a result, its senior 4% first mortgage bonds this year have cost some buyers as much as 101% of par. Its junior mortgage 5s have been selling around 102% of their face value.

In the capital readjustment plan Katy must effect before it can engage in any merger via an exchange of stock, Wall Street expects that the road's continued interest 5% bonds, on which back interest now totals 40%, and its preferred stock, with its \$103.25 of dividend arrears won't fare at all badly. The former, for example, are selling at around 96% of par, and the preferred at about \$45 per share. Even Katy's common is selling for about \$14.

On-the-Line Direction—Last year saw the death of the three top officials who had Katy so successfully out of its doldrums and also the retirement of the system interests so long dominating the road's operations. Since then, the road has been becoming more of a real "home" system. Only three of its present 15 directors, for example, don't live on-the-line. Official headquarters have also been transferred from New York to St. Louis, Morfa himself is now actively watching and directing Katy's affairs from his newly established office in Dallas, and from here on it's evident that local interests are going to be Katy's prime concern.

WALL STREET MERGER?

Coming weeks may see Merrill Lynch, Pierce, Fenner & Beane finally lose its title of the largest single brokerage and investment banking entity (BW-Mar. 46.p70). Now in process of negotiation is a deal which would turn that trick-possible merger of First Boston Corp. and Mellon Securities Corp.

The First Boston Corp., once the affiliate of Boston's First National Bank, has been a publicly owned corporation since the bank was forced to divest itself of its investment banking interests in 1934. At the close of 1945 First Boston reported capital and surplus approximating \$14,500,000.

Capital of the Mellon company, controlled by the Mellon family of Pittsburgh, on the other hand, has never been reported publicly. Some \$8,000,000, however, is a reliable guess.

Wall Street figures that a merger of the two would result in a new incorporated investment banking house commanding as much as \$22,000,000 to \$25,000,000 of net assets, compared with the \$17,728,000,000 of capital recently reported in use by the partner-



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THE STATE OF MISSOURI

In The Heart of America

ship of Merrill Lynch et al. Wall Street agrees that the merger would be the most significant event of its kind since the house of Morgan decided to stick solely to banking and the formation of Morgan, Stanley & Co. followed. And the Street predicts that a First Boston-Mellon combine would have considerable impact on the security underwriting business.

SPECIAL TAX INVALIDATED

The 3% sales tax which Atlantic City, N. J., has been collecting since May 29, 1945, to defray the cost of repairing the damage inflicted by the hurricane of September, 1944, has been

declared unconstitutional by the state Supreme Court.

The court found fault not with the tax itself but with the enabling legislation passed by the state legislature. The latter granted special taxing power to seashore resort cities—mentioning names—with over 50,000 population. Since Atlantic City is the only one in this classification, and since many smaller seashore resorts also suffered hurricane damage, the court held the law discriminatory, and hence unconstitutional.

Atlantic City will appeal to the Court of Errors and Appeals and intends to continue to collect the tax pending disposition of the appeal.

No Golden Egg for the Galloping Goose

The Galloping Goose may soon gallop its last mile. This is the pet name of the 162-mi. Rio Grande Southern R.R., a narrow-gauge that twists amid the Rock Mountains from Durango to Ridgway, Colo. Long in receivership, it kept going during the war through an arrangement by which Defense Supplies Corp. bought the railroad's equipment and leased it back to the line. The road got government support because it taps a rich mining and farming district, with production which was considered essential to the war effort.

• **Traffic Falling Off**—The name Galloping Goose is derived from the queer-looking combination mail-and-passenger cars built on the chassis of old Pierce-Arrow tourist automobiles, which run once daily each way. The road also operates conventional narrow-gauge freight trains, but traffic has been falling off steadily. About 4,000 cars moved in 1945, or 1,000 less than in 1944, and 1945 gross was down to approximately \$300,000. So far this year, business is even lighter.

Now the Post Office Dept. has notified Cass Herrington of Denver, R.G.S. receiver, that it will not renew the road's \$40,000 mail contract which expires June 30. The department will ask for competitive bids, and it estimates that serving the territory should not cost more than \$10,600 a year.

Herrington says that the R.G.S. can't afford to bid on the mail contract at any such figure; that, without the mail, the road will be just about out of business. The next step, the receiver says, would be to suspend operation.

• **Written Down to \$1**—Rehabilitation of the line, badly needed for years, would cost about \$200,000.



This would save large sums in operating costs, since almost every operating employee earns big overtime because of the condition of the road, but Herrington doubts if the railroad could ever be made to pay, unless it could handle virtually all traffic in the territory.

Accrued obligations total approximately \$4,500,000 plus interest. The Denver & Rio Grande Western R.R., principal owner and creditor, cut the Goose loose in 1924, and now carries its R.G.S. obligations at \$1.

The Goose received \$65,000 from DSC in 1943 in a first equipment lease transaction, has repaid \$50,000. Of a second advance of \$60,000 it has spent only \$28,000. The line owes about \$250,000 on local tax claims upon which counties and other subdivisions have long agreed to wait lest the line close down.

• **How Claims Rank**—The creditors' claims will rank in this order: court costs, federal taxes, sums due federal agencies, and local taxes. There's not much use going further, say officials of the line.

Ohio Objects

Securities Division flays New York Curb for the listing of Kaiser-Frazer shares, asserts the public is being misled.

The Ohio Securities Division, which a few months ago announced its opinion that the offering price in the second public sale of Kaiser-Frazer Corp. stock was at a level too far above the shares' intrinsic value (BW—Feb. 2 '46, p. 70), this week disclosed that it still objects even to speculatively minded Ohioans' dabbling in those shares.

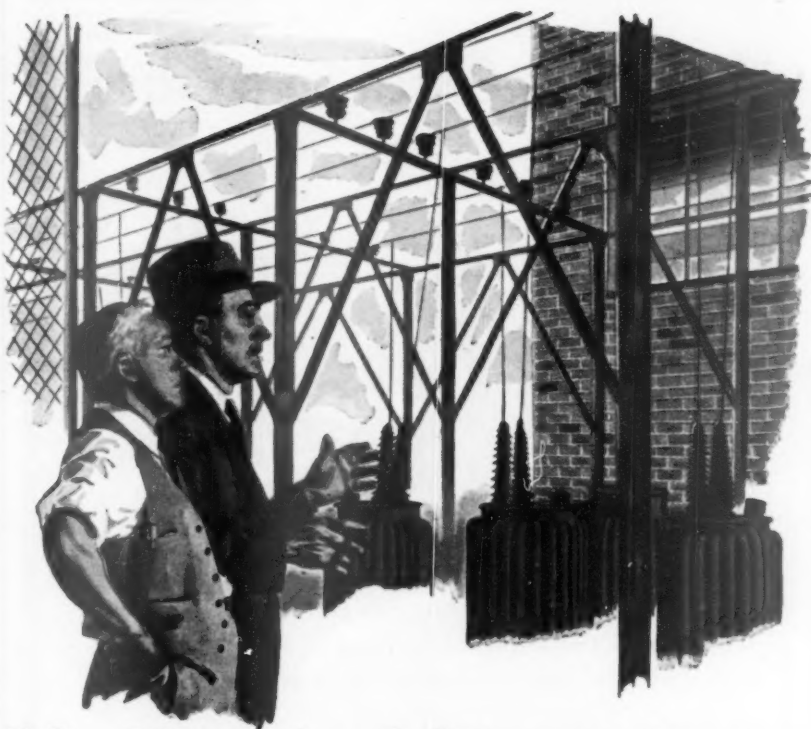
The other party to the controversy this time is not Cleveland's Otis & Co., one of Kaiser-Frazer's "traditional" bankers, as was the case previously. Cause of the current tempest was the New York Curb Exchange's recent action in listing the shares. The fact that the stock is now selling at \$17.50 on the Curb, compared to its offering price of \$20.25 per share in last winter's financing operation, hasn't lessened the tension.

Charges It's Misleading—According to a letter written the New York exchange by the division, the Curb "by listing certain unseasoned securities without earnings is misleading the general investing public." And its listing of the Kaiser-Frazer shares, the division has declared specifically, "would tend to destroy the regulatory provisions of our blue sky laws" since the curb listing makes the shares open to trading by Ohioans, a privilege not available to them through Ohio brokers.

The division points out while it did approve the initial offering of Kaiser-Frazer shares at a price of \$10, it took the position that the \$20.25 demanded last winter for the second offering was "grossly unfair since the company hadn't earned any money to justify the price increase." At the time, the division figured that the stock had a book value of less than \$9 a share, despite the doubling of price to the public that had taken place.

Previous Withdrawal—At the time it transmitted these facts to Otis & Co., which had requested permission to offer the stock in Ohio, it also gave the banking house an opportunity to supply information justifying the increase in offering price. However, this was never forthcoming. Otis withdrew its application for qualification of the shares, thereby automatically outlawing their sale in the state.

Under Ohio's securities act, the Curb is one of a number of exchanges which are exempt from listing their shares with the division. But this doesn't prevent the division from suspending any



"Could our fire-fighting equipment reach a blaze out here?"

Outdoor electrical equipment—often located some distance from plant buildings—presents a hard-to-handle fire hazard. The blaze is hard to reach . . . hard to extinguish.

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Carrying up to 100 pounds of fast-acting carbon dioxide, these units are easily maneuvered—reach remote fires in a hurry.

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Fire hazards outside your plant buildings—in flammable liquids or electrical equipment—need this mobile protection. A Kidde representative will give you full details.

Walter Kidde & Company, Inc.

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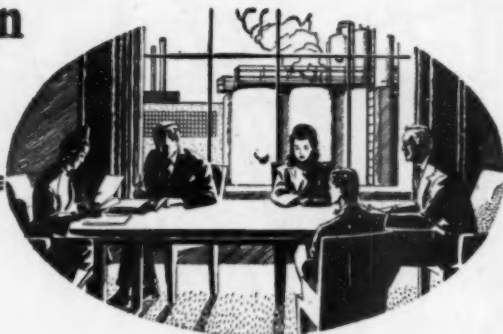
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Kidde

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The Family-Owned Corporation and Taxation



For the family-owned or closely-held corporation, inheritance, gift and similar taxes can best be provided for through the sale of a portion of the outstanding securities and the establishment of a public market.

The effect is three-fold:

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of their individual listed issues or the exchanges themselves.

• **Action Pending**—Outcome of the Ohio division's strong letter to the New York exchange remains in doubt. No action will be taken by the division pending a detailed reply. Suspension, however, would prove a serious matter since it might mean that no Ohio licensed broker could handle any New York Curb business.

Court Backs ICC

Denver & Rio Grande plan which wipes out old stock and sets up new company wins 6-to-1 sanction of highest tribunal.

The Interstate Commerce Commission's reorganization proposals for the long bankrupt Denver & Rio Grande Western R.R. received the 6-to-1 approval of the Supreme Court last week. A circuit court had rejected the plan, calling it "inherently inequitable and unfair," but the high court upheld the ICC's terms in every particular.

The Supreme Court's action affirmed the power of Congress to declare a reorganization plan fair over objections of creditors "so long as a creditor gets all the value of his lien and his share of any free assets" and the plan is based on normal-year earnings.

• **Eyes on Congress**—Import of this decision, which rebuffed efforts of junior D.&R.G.W. bondholders to cash in on the road's wartime earnings, was not lost upon others who have been seeking legislation which would accord some creditor status to holders of preferred and common stocks wiped out in various pending reorganization plans.

This week interested parties were waiting to see what the House would do with a rail reorganization bill that had been passed by the Senate. This measure would have the effect of returning eight railroads to their stockholders for reorganization. The test set up by the Senate is whether the bankrupt road has had earnings of more than \$50,000,000 in any of the years 1942-44.

• **An Exception**—On motion of Sen. Johnson of Colorado, the Senate stipulated that the bill did not apply if more than 90% of the road's voting stock was held by another carrier. All the outstanding common stock of the Denver & Rio Grande Western is owned by the Missouri Pacific and the Western Pacific (150,000 shares each).

The D.&R.G.W. plan approved by the Supreme Court will by no means put the road back into private operation at any early date. It will substitute a five-man board of managers for the present trusteeship. U. S. District Judge

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Ohio
New

Foster Symes, who has in effect headed the road during its years in trusteeship will remain a potent figure.

Stock in Escrow—If, after ten more years, all is going well, the road may be turned over to a president and a board of directors, i.e. to private ownership and operation. Meanwhile, all preferred and common stock of the reorganized company will remain in escrow, and can only be voted by the reorganization managers.

The ICC reorganization plan is the handiwork of Judge Symes, who in approving the reorganization said:

"... Control, as opposed to the past, should not be centered in a group of financial institutions in New York, officials of which have never willingly ventured west of the Hudson; and who set foot on their properties for the first time when invited on an inspection trip by the trustees."

Up From the Rust—For eleven years the road has been run by the trustees, Henry Swan, Denver financier, and William McCarthy, president of its affiliate, the Denver & Salt Lake Railway Co., with Judge Symes approving major financial transactions. The three men have built the road up from "twin streaks of rust" to an efficient system, at a cost of more than \$65,000,000.

Trustees will continue to handle the road until it can be placed in the hands of the reorganization managers.

The reorganization squeezes out the old stockholders completely. It gives senior bondholders full face value of their bonds in various securities of the new company, it gives junior bondholders down to 10%. The RFC advanced \$13,900,605 to the road and gets full face value in new securities.

Amalgamation Contemplated—The revised capital structure approximates \$143,000,000, compared to a former \$225,000,000. The plan contemplates, but does not order, amalgamation with the Denver & Salt Lake Railway Co., which owns the short-line trackage through the Moffat Tunnel over which many D.&R.G.W. trains run between Denver and Salt Lake City. Such amalgamation would increase the capital structure by another \$12,000,000.

As a link in one of the seven east-west transcontinental systems the D.&R.G.W. made money during the war—\$12,050,823 in net operating income in 1943, and \$10,554,956 in 1944.

But, with the end of the war, the road swallowed in one gulp the amortization of its special improvements for war, with a resultant net operating deficit of \$1,153,850 in 1945.

Hit by Coal Strike—For the first four months of 1946, the deficit was \$849,064—accounted for by more than a million dollars in wage increases and by a million-dollar loss in revenue due to the coal strike.

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BW-6-22

PRODUCTION

Diesel Industry Hits Stride

Wider use and many new applications are expected to follow remarkable wartime growth. Present trend is to reduce weight, increase economy and operating efficiency.

Still further expansion for the diesel field was predicted by top executives and engineers at last week's meeting of the Oil & Gas Power Division of the American Society of Mechanical Engineers, held in conjunction with a session of the Diesel Engine Manufacturers' Assn. at Milwaukee.

• **Efficiency Increases**—Following a phenomenal wartime growth (estimated 1944 production of over \$1 billion compared with \$45 million for 1939), diesel men confidently expect to make greater inroads in the truck and bus field, improve the diesel position in marine and

railroad applications, and expand both stationary and oil industry uses.

Reasons for the expected growth include constant improvements in design leading to more economy and higher efficiency, simplification of servicing and control, and greater user familiarity with diesels through wartime experience.

According to R. E. Friend, president of Nordberg Mfg. Co., the Navy installed during the war over 30,000,000 hp. of engines which ranged in size from 60 to 6,000 hp. From 1939 to 1945 over 1,000,000 hp. was installed on merchant ships. There are at present over 18

Ten Years of Diesel Design

Since 1892 when Rudolph Diesel was granted his first patent, engineers have been studying possibilities in design improvement to make the diesel engine adaptable to wider usage and to overcome handicaps in weight, fuel injection, cooling, and such factors. Progress in the last ten years has been particularly rapid.

In addition to working on weight reduction, manufacturers have concentrated on cooling improvements, with indirect systems using a heat exchanger becoming common practice. In such systems, the water removes heat from the engine coolant, and also cools the lubricating oil. (In today's designs with high output, lubricating oil also serves to cool piston heads.)

• **Welding Cuts Weight**—Conspicuous improvements have been made in bearing materials and in the manufacture of precision-type bearings. High-speed diesels now use precision bearings, steel-backed. Another significant trend is the wider use of welded steel stampings to replace aluminum parts. Welded steel bedplates, frames, and cylinder housings have helped reduce weight.

In automotive and marine high-speed diesels, manufacture has since 1936 concentrated on interchangeability of mounting with gasoline engines of similar size. A late develop-

ment reported by one manufacturer is a complete line of diesel and gasoline engines wherein all parts except cylinder heads and accessories are interchangeable.

In automotive diesels, there has been a recent trend towards "pancake" construction with the centerline of the cylinders on a horizontal plane, as a space-saving means. Several designs have also incorporated two or four diesels working on a common crankcase with crankshafts geared at the center to a common takeoff, or multiple units geared to a common crankshaft.

• **Intercoolers Studied**—Valve seat inserts have become standard in high-speed diesels, and hard-faced valves have been used with considerable success, as has been nitrided steel.

Further studies are concentrating on fuel injection and allied problems. One manufacturer is conducting research in the application of air intercoolers between the turbocharger and power cylinders of supercharged engines to increase power output and economy.

Improvements in all types of diesels are highlighted by increased piston speeds, reduction in weight from 250 to 56 lb. per hp. on the average, reductions in rate of fuel consumption, and adaptability to a wide range of fuels.

motorships in British yards, and 229 motorships in other European yards, ranging as much as 25,000 hp. per vessel. Friend pointed out that the diesel industry must do a better educational job to obtain the same degree of acceptance of diesels for marine propulsion here.

Progress in Design—The diesel offers operational and economy advantages in the stationary field, according to R. H. Morse, Jr., vice-president of Fairbanks, Morse & Co., who cited figures to show the relative distribution of the 5,000,000 to 6,000,000 diesel hp. at work today in stationary plants. (This figure excludes diesels furnished to the armed services.) Municipal power plants use 27%; private utilities and Rural Electrification Administration cooperatives 14%; the oil industry 12%; cotton and related industries 8%; the grain industry 6%; ice and refrigeration about 5%; and an unclassified 28% distributed among mining, rock and clay products, textile, lumber and woodworking, irrigation, metalworking, and other industries.

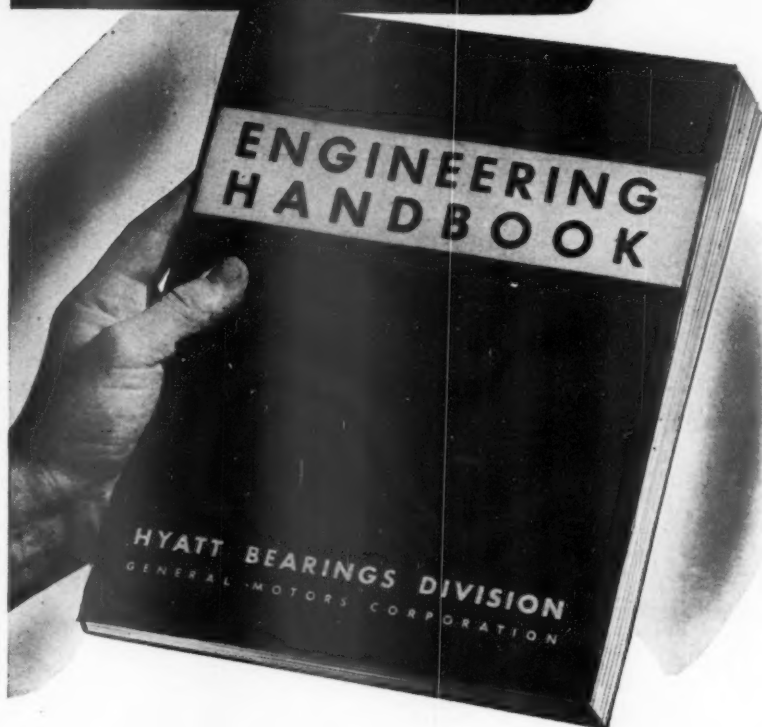
Morse said that design progress in producing smaller units operating at higher rotative speeds has simplified problems of space and the isolation of vibration. Waste heat utilization (the diesel throws off 60 B.t.u. of energy for every 40 B.t.u. converted to motive power) will further extend applications. Proposed uses are in water pumping and in sewage treatment and disposal plants. Dual fuel engines, which burn either gas or oil as desired, can be powered with waste gases obtained during the treatment operation. And for remote locations, the diesel may be useful in the communications field.

Weight Reduction—In the oil industry, natural gas is extensively used as a source of power in gas engines and steam boilers. But A. W. McKinney, vice-president of National Supply Co., foresees a trend toward diesels, because natural gas has become more valuable for other uses, although comparatively, diesel fuel is no cheaper. For example, in many cases the gas is returned to the ground under pressure to help force oil out of the formations, and thus increase yield. And natural gas is being more widely used in the liquid fuel, plastic, and chemical fields.

Reduction of weight per horsepower, a continuing trend, will also act as a stimulant in oil industry use where mobility of equipment is desirable. And here too the dual fuel engine will be useful.

The diesel's most promising application in the oil fields is in rotary drilling, since more than half of the 4,000 rigs in this country are of this type, although only a few up to now are diesel-powered. In drilling 10,000 ft. or deeper as much as 1,000 hp. is required on the hoist drum. In such operations, economy is at a premium, and one favored arrange-

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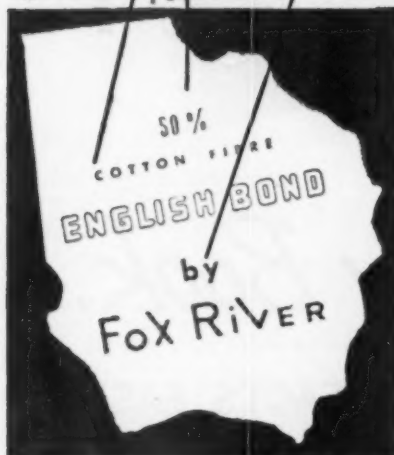


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ment is to use multiple diesels to provide portability and economy.

McKinney said that the foreign oil industry will offer one of the most important future markets, because of expected expansion.

• **Automotive Gains**—An optimistic note on the diesel future in the truck and coach field was sounded by V. C. Genn of Detroit Diesel Division, General Motors. The truck field falls into three divisions: $1\frac{1}{2}$ ton and under (80-90% of the market); $1\frac{1}{2}$ to 5 tons; and 5 tons and over.

Genn asserted that before the diesel can make any appreciable inroads on the $1\frac{1}{2}$ -ton-and-under class, engines will have to sell at \$5 a hp. (They now cost about \$15 per hp. in that class.) In the $1\frac{1}{2}$ -to-5-ton field, 30,000 units per year were produced in 1939-40, and General Motors believes that the field is a good potential for diesel use. So far as the 5-ton-and class is concerned, the diesel is already in a secure position, particularly on the West Coast. Genn declared that the truck field offered a market for 20,000 to 25,000 diesel engines per year.

• **Railway Challenge**—The subject of railroad diesels (BW—Mar.31'45,p52) received considerable attention, with L. W. Metzger of Baldwin Locomotive Works asserting that the diesel was practically the only suitable type for switching engines. He said that to his knowledge no steam switchers had been sold in the past few years. Transcontinental service, he predicted, would be practically all diesel-powered (BW—May11'46,p22).

A challenge to diesel locomotive designers was made by R. H. Miller, chief engineer of Nordberg, who described today's diesel-electric locomotives as a string of small engines "coupled together with tinware" to camouflage them as a single unit. He recommended large-size engines, turbocharged, to achieve high ratio of piston area per unit of cab length. Such engines should provide 10,000 hours of main line performance without servicing.

Miller said that if the diesel is to hold its own in competition for main line service, present day performance as to availability and cost of maintenance must be greatly improved. Larger cylinder diameters, and slower rotative speeds might provide a satisfactory answer, he believes.

CALM SEA, BROKEN SHIPS

The Coast Guard's Bureau of Marine Navigation is trying to figure out why three Kaiser-built tankers should break up, in calm weather while passing through the same stretch of ocean some 700 miles south of Attu in the Aleutians. The disasters occurred in February, March, and May of this year. War Shipping Administration, which initi-

The Diesel Picture

One method of classifying the sprawling diesel industry is to divide it arbitrarily into two types: (1) low-speed, heavy duty, and (2) high-speed automotive. But where low speed ends and high speed begins is open to some debate. The generally accepted figure is 1,000 rpm.

According to a recent survey made by the Diesel Engine Manufacturers' Assn., the industry leans heavily to the four-cycle type of engine, making 498 models of that design as against 153 models in two-cycle. But weights per horsepower vary over a wide range.

• In the low-speed, heavy-duty group, the lowest weight per horsepower is 17 lb.; the highest is 161 lb. Among manufacturers in this group are American Locomotive; Atlas-Imperial; Baldwin Locomotive; Buckeye Machine; Busch-Sulzer Bros.; Chicago Pneumatic; Clark Bros.; Cooper-Bessemer; Enterprise Engine; Fairbanks, Morse; Fulton Iron Works; General Machinery; General Motors, (Electro-Motive Div.); Ingersoll-Rand; Joshua Hendy Iron Works; Kahlenberg Bros.; Lathrop Engine, Lorimer Diesel; National Supply; Palmer Bros.; Nordberg Mfg.; Rathbun-Jones Engineering; Sun Shipbuilding & Dry Dock; Union Diesel; Venn Severin Machine; Washington Iron Works; Witte Engine Works; Wolverine Motor Works; Worthington Pump.

In the automotive high-speed group, the lowest weight per horsepower runs about 10 lb.; and the highest weight reported was 106 lb. per hp. High-speed diesels are made by such companies as Buda; Caterpillar; Climax Engineering; Continental Motors; Cummins Engine; Dodge Truck (Chrysler); General Motors, (Detroit Diesel); Guiberson Engine; Hallett Diesel Engine; Hercules Motors; International Harvester; Lister-Blackstone; Mack-International Motor Truck; Murphy Diesel; Rogers Diesel & Aircraft; R. H. Sheppard; Waukesha Motor.

• There have been at least two light-weight diesel models developed for aircraft. As reported (BW—Oct.20'45,p28; Mar.16'46,p50) one model develops 100 hp. the other 125 hp. Each weighs 235 lb. Thus the aircraft diesel runs about 2 lb. per hp. and, according to A.S.M.E. reports, the weights of both low-speed and high-speed diesels are in for trimming.

the inquiry, suspects sudden passage of the ships from warm to cold water. The Navy has since issued instructions to all tankers to avoid the danger area.

The likely clue to the behavior of the tankers is provided by a report by the Bureau of Standards. This lays the blame for fractures of welded ships directly on the use of steel with low impact strength.

Ship fractures have been a serious problem ever since the wartime urge to speed introduced large-scale welding of ships. More than 400 welded ships have experienced fractures, and 20 of them were seriously damaged or destroyed. The problem first came to public notice when the Kaiser tanker "Komet" broke up at its Portland berth in January, 1943.

The Bureau of Standards has been working on the problem ever since. It blamed faulty welding or design for some of the early failures. But these factors were absent in most cases, and the steel used met all the usual purchase requirements and specifications.

The bureau did find that most of the ship plates that failed had a low resistance to impact. No attention had been paid to this property in specifications, and the bureau recommends that from now on good impact resistance be required in steel for welded ships.

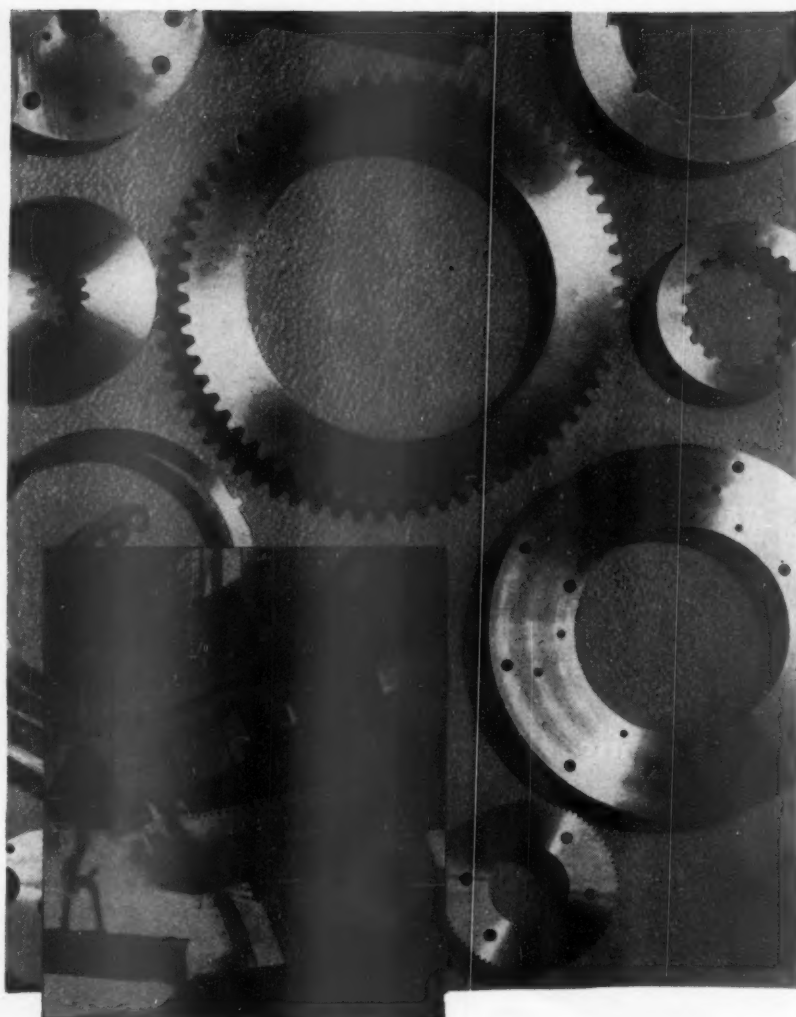
Engines Rebuilt

Ford Co. turns profitable business over to dealers, but it prescribes specifications for an authorized reconditioning job.

Ford engine rebuilding and reconditioning, an important function of the company at River Rouge before the war, has been transferred to retail dealer and distributor establishments. With so many over-age cars on the road, the field has attracted approximately 235 retail establishments already, and is beckoning to more.

Sets Specifications—Some small operations consist of little more than the ordinary shop equipment, amplified with a few added machines and motor tools, making possible the rebuilding of around 100 units per month. Others, however, are large-scale operations, doing ten times that volume and representing investment of \$100,000 or more.

Ford Motor Co. prescribes the procedures and specifications required in rebuilding, also expects the authorized conditioners to care for small requirements of Ford dealers in their areas. It goes beyond that the service places are their own. They warrant their jobs



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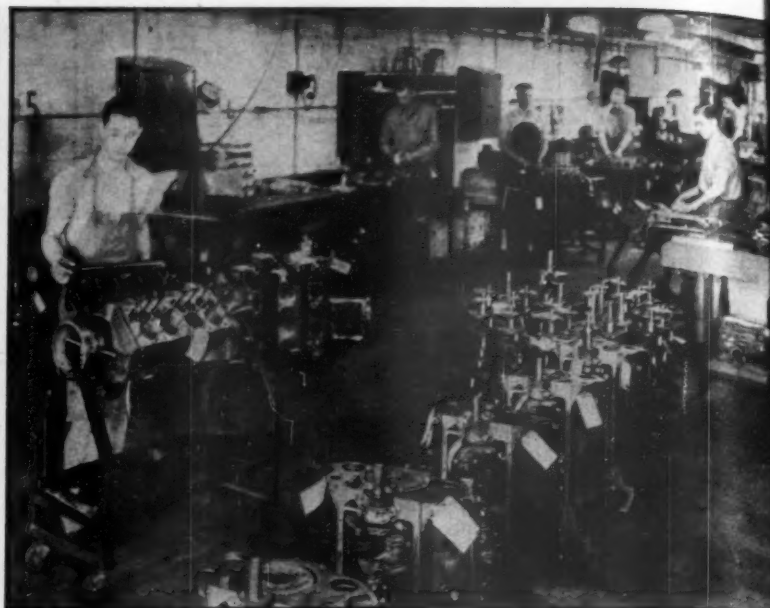
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Like 234 other Ford dealers and distributors, Kansas City's Kelley-William Motor Co. (above) finds engine rebuilding a lucrative sideline—as did Ford before the decision to shift the operation from factory to the dealership.

for 30 days or 4,000 mi., whichever scales.

• **Profitable Work**—The 235 dealerships engaged in rebuilding work today are finding it generally profitable. Before the war the Rouge rebuilt around 35,000 engines per month, and today the dealers are probably dividing somewhat more than that amount of business. As against the standard prewar price of \$49 at the factory, their rates run from \$60 to \$78, depending on local conditions.

For the most part, any dealer seeking authorized reconitioner status already has several of his requirements right in his garage—a boring bar, valve grinders, and the like. He may have crankshaft grinding equipment also.

However, many need more cleaning equipment than they customarily have. Too, they must set up some sort of progressive station arrangement; some install channel iron rails on their floors to move reassemblies from point to point; others simply purchase a number of motor stands on which units are mounted and transferred from work station to work station.

• **Expensive Equipment**—Beyond that, the dealer can go as far as he desires. An establishment handling around 1,000 engines a month will represent equipment outlay of at least \$60,000.

It may well have expensive automatic equipment to speed up and lend precision to certain operations—boring machines at \$10,000 apiece to hollow out the four cylinders of each bank in an engine simultaneously; or other equally precise units rarely found outside of production plants.

RAYON GAINS ON COTTON

Rayon fabrics are invading another of cotton's strongholds—that of flannel shirts, possibly including even broad cloth. New finishing processes in effect change ordinary viscose rayon to a different material, producing a garment better able to withstand water and retain its shape.

One of the serious drawbacks of viscose rayon is that when wet it swells enormously and loses strength. The swelling causes undue shrinkage and tendency to elongate later. Ordinary spun rayon fabrics are also dimensionally unstable, tending to shrink or elongate. This is particularly true of fabrics made from rayon staple, as opposed to fabric manufactured from continuous-filament rayon.

Cluett, Peabody & Co., Inc. (holder of the Sanforizing process), has found that a water solution containing glyoxal and acid catalyst, followed by heat treatment, chemically changes viscose rayon (not acetate) so that it is dimensionally stable to within 2% (the figure for Sanforizing is 1%).

The fabric loses some strength, but withstands laundering much better than ordinary viscose fabrics. Cluett, Peabody calls its new development "Sanforset" to distinguish it from the totally different Sanforizing process.

Earlier, another method of stabilizing rayon fabrics was announced under the trade name of Definized (BW—Jan. 12, '46, p. 58), and a third process is expected to be announced by Sayles Finishing Plants, Inc., Saylesville, R. I.

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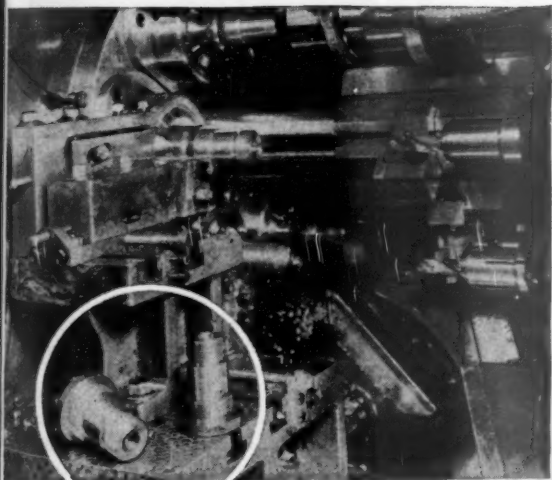
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Save *time* by better methods of production and you reduce cost.

Take for example the steel sleeve shown above, $2\frac{1}{2} \times 3\frac{1}{4}$ ". The 16 operations on this part are done on a $2\frac{5}{8}$ " six spindle Acme-Gridley Bar Automatic in less than 20 seconds.

Heavy roughing cuts and fine finishing produce consistently high accuracy in this fast time. Two Vers-O-Tools with ground thread circular chasers were used for the threading.

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Actually, Santa Clara County hasn't changed. But the thoughts of industry have turned to the advantages of *decentralized manufacturing*.

There's a wealth of room in Santa Clara County—so that industry doesn't have to rub shoulders. And the life of the area centers around spacious outdoor living. There aren't slums or tenement sections here—but shady, suburban streets of homes and wholesome acre and half-acre farms.

That's the *difference* in Santa Clara County. It's an area for healthful living—and that means top production. Couple this major advantage with Santa Clara County's location—at the population center of the Pacific Coast—and you have a clear-cut picture why this area is attracting some of the best known names in American industry.

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"Post War Pacific Coast" contains 36 pages of current information about the West and Santa Clara County. No cost or obligation—but write on your business letterhead.



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NEW PRODUCTS

A.C. Welder for Farms

Designed for operation on single-phase lines of limited capacity supplying rural areas and small communities, the new welder announced by the General Electric Co., Apparatus Dept., Schenectady, N. Y., conforms to N.E.M.A. standards and Edison Electric Institute and Rural Electrification Administration requirements. The welder is avail-



able in 130 and 180 amp. ratings, either with or without capacitors. Two plug-in connections are furnished for the electrode cable, one for $\frac{1}{8}$ in. or $\frac{3}{16}$ in. electrodes and one for $\frac{5}{16}$ in., $\frac{1}{2}$ in., and, in the larger rating, $\frac{3}{4}$ in. electrodes.

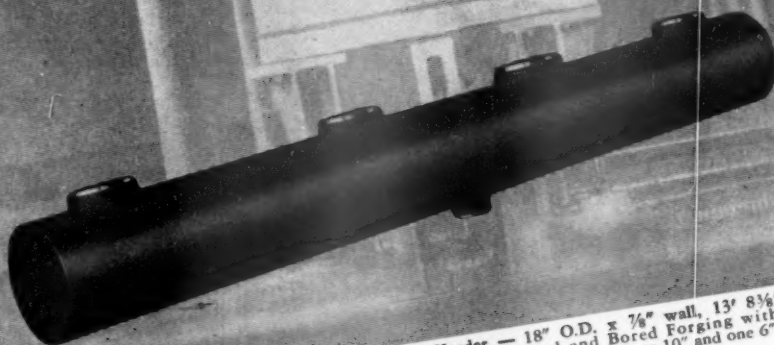
A welding current scale, located on the front of the welder, is calibrated in electrode sizes rather than in amperes. Current adjustments are made by a hand crank which provides an infinite number of settings to accommodate the electrode being used. A series of calibrated notches on the bottom edge of the front panel serves for quick gaging of electrode size. For safety, the welder is enclosed in an electrically grounded metal case. It is protected against overload by a built-in circuit breaker.

Aluminum Shower Base

A lightweight aluminum casting forms the Northrop shower base. Cast in a sand mold in one piece, the shower base cannot leak. Its light weight simplifies shipping and reduces freight costs. The base is turned out in one size, just under one square yard. Installation time is estimated at about 30 minutes, as compared to eight hours for other types. The crackle enamel finish, baked on during the manufac-

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WHENEVER PIPING IS INVOLVED

Typical of Grinnell's advanced pipe fabrication facilities is this forming process for outlets in headers which simplifies erection of piping on the job by eliminating difficult intersection type welds. They are made possible by this company's 95 years of piping experience and continuous laboratory research and experimentation.

Whenever piping is involved—Grinnell has the specialized knowledge, field engineering experience and the production facilities to handle the job from first plan to actual operation. From this one source you can get everything from a tiny tube fitting to a complete power or process piping installation.

GRINNELL COMPANY, INC., Executive Offices, Providence 1, R. I. Branch warehouses in principal cities. Manufacturing Plants: Providence, R. I.; Cranston, R. I.; Atlanta, Ga.; Warren, Ohio; Columbia, Pa.

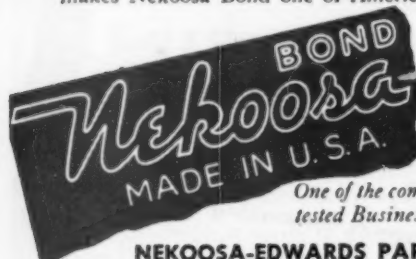


WHENEVER PIPING IS INVOLVED

IN AUTOMOBILES OR
PRINTING PAPER

Pre Testing
**ASSURES
QUALITY PERFORMANCE**

Pre-testing on the proving grounds developed America's superb automobiles. Just as pre-testing—for strength, smoothness and appearance—makes Nekoosa Bond one of America's finest printing papers.



**THIS WATERMARK
MEANS A PRE-TESTED
BOND PAPER**

One of the complete line of Watermarked Pre-tested Business Papers manufactured by the

NEKOOSA-EDWARDS PAPER CO., PORT EDWARDS, WIS.



Model 125 1/2" Drill

Model 143-T
1/4" Drill

- WITH**
- **Management**
 - **Maintenance**
 - **Production**

Everywhere in the plant, key men go for MallDrills. They like their ability to deliver low-cost holes in metal, plastics and wood in a hurry . . . their stamina and cool operation under load . . . their pistol grip feel and light weight that eases handling and lessens fatigue . . . their compactness of design that facilitates use in close quarters and cramped positions . . . and the quick, easy servicing of the commutator and replacing of brushes without dismantling drill.

MallDrills are ruggedly constructed. 5 powerful models—1/4" in 2 speeds, 5/16", 3/8" and 1/2" capacities are available for 110-volt AC-DC or 220-volt AC-DC.

Ask Your Supplier or Write for Literature and Prices.

MALL TOOL COMPANY ★ 7768 South Chicago Ave., Chicago 19, Ill.

★ 25 Years
of "Better Tools
for Better Work"

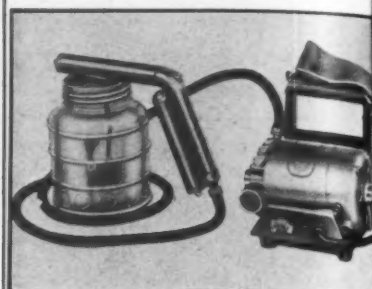
Mall
REG. U.S. PAT. OFF.

**PORTABLE
POWER TOOLS**

turing process, and said to be slip-proof. The paint is supplied in "harmonic" colors to suit bathroom color schemes. The base is made by Northrop Aircraft, Hawthorne, Calif.

Home Spray Outfit

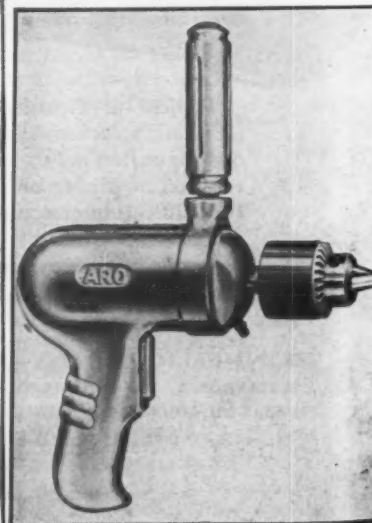
The "Thoro-spray" portable unit, product of the Lowell Mfg. Co., 551 Illinois St., Chicago, handles paint, varnish, enamel, lacquer, and stain. It has an adjustable nozzle and is powered



a 110-120-v. electric universal motor (AC or DC) with a built-in compressor which develops 22 lb. of free air. An adjustable strap is fastened to the motor for carrying. The assembly consists of a nickel-plated frame and spray head attached to a 24-oz.-capacity glass jar. Total weight is 8 lb.

Lightweight Power Drill

The model 7016 drill, built by Aero Equipment Corp., Bryan, Ohio, is said to be 40% lighter in weight than other drills of the same capacity. The drill is equipped with an auxiliary handle that can be located in any position around the nose of the tool and has a safety throttle trigger. The handle threads into a shoe located in the ring on the nose housing. Other features include extra-large, heavy-duty ball bearings which cushion the action of all moving



FEEDING GROUND FOR THE

BLACK PLAGUE

● Narrow, filthy streets, flanked by crowded, overhanging tenements that shut out light and air were seen as a cause of the series of deadly London plagues in the 17th century. Queen Elizabeth feared the unwholesome conditions, issuing proclamations: "... to avoide that noysome pester of bulkes, stalls, sheds, cants and jutties . . . in all places so much cumbered and annoyed that it taketh away the benefit of the ayre, swetnes and decencie of the same."

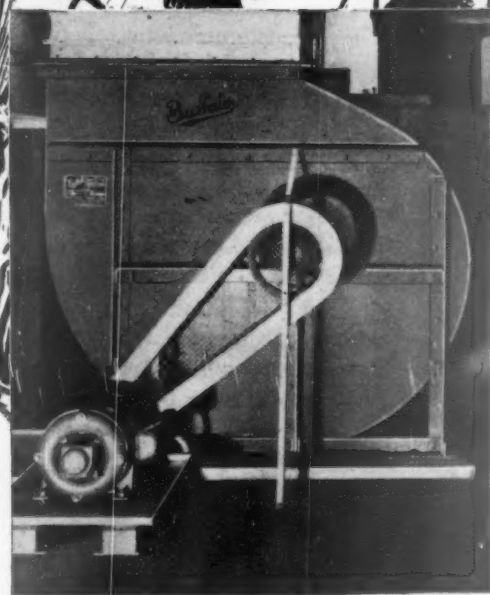


TODAY "Buffalo" FANS

Promote Health, Comfort, Efficiency

The value of fresh, live, clean air is unquestioned today. Those in factories, public buildings depend on it for alertness, efficiency and comfort. Yet your air system must have a *reliable*, trouble-free fan delivering the required air volume at *least* power cost . . . and *designed specifically for your need!*

"Buffalo" fans meet all these requirements. Perfectly balanced rotors, sturdy housings, accessibility of parts and intelligent designing are built into every "Buffalo" fan. You'll find trained "Buffalo" representatives in every principal city to advise you on the most efficient fan for your air job.



A Buffalo Limit-Load Fan ventilating a large building

BUFFALO FORGE COMPANY
458 BROADWAY
BUFFALO, N. Y.
Canadian Blower & Forge Co., Ltd., Kitchener, Ont.

"Buffalo"

FANS



LABOR'S BEST FRIENDS

Everybody is striving for a different division of the world's goods.

Those who have little want more. Those who have much want to keep it.

But there is only one basket out of which everybody can take as much as he wants—and that is increased production.

Labor's best friends are the scientists and engineers. They are the men who teach us the great truth, that it is better to multiply before we begin to divide.

Produce more and there will be more to divide—it's as simple as that!

Scientists and engineers tell us about new things to make, and how to make them. They tell us how to increase production and reduce costs. It adds up to broader markets, greater volume, higher wages for both labor and capital, and more to divide.

When scientists and engineers and workers really co-operate to produce, we can quit thinking about new laws to regulate either labor or industry.

Production is the answer.

Geo. T. Trundle Jr.
President



This organization of over a hundred trained engineers has twenty-seven years of consulting management engineering experience. We invite you to write for more information, or to request a personal interview in your office.

THE TRUNDLE ENGINEERING COMPANY

Cleveland, Ohio, Bulkley Building

CHICAGO, City National Bank Building,
208 S. LaSalle Street

NEW YORK, Graybar Building,
420 Lexington Avenue

parts. Rotors, cylinders, and gears of alloy steel ground to precision tolerances. The tool has a built-in automatic oiler. Operating speed is 1,000 r.p.m.; weight is 64 lbs.

Double-Glazed Window

Twindows, announced by the Pittsburgh Plate Glass Co., 632 Duquesne Way, Pittsburgh, Pa., are integral insulating units of two or more plate glass enclosing a quarter- or half-inch hermetically sealed air space. Hollow aluminum tubing separates and holds the glass plates in position. The unit is framed with a light-gauge stainless steel channel. For protection, channel legs extend three-eighths of an inch inward on the surface of the glass around its periphery. The Twindow unit is said to prevent condensation.

The hermetically sealed dead air space between the plates of glass is held at atmospheric pressure. It is dehydrated initially by a drying agent within the aluminum spacer tubing which has access to the air space through holes adjacent to the interior corners. The drying agent remains in the unit and provides added insurance against vapor diffusion. Clear, polished plate glass is used in construction, but the units can be fabricated with special glasses if required.

THINGS TO COME

Further uses for the versatile silicone derivatives lie in liquid compounds possessing the unique characteristic of preventing molding materials from sticking to dies. The liquid is sprayed or brushed onto the die. Out of this development may come liquids or solids for household use which, when rubbed on frying pans, will prevent sticking of foods for long periods of time. The compounds are under study now for such application.

- An alloy of 75% beryllium and 25% aluminum, which has about half the weight of aluminum, is now being used for strong, lightweight machine parts where cost is not a determining factor.

- It is estimated that less than 10% of the torque applied to tighten a nut is reflected in increased tension in the bolt. Therefore large-diameter long bolts are often made hollow, and an electric resistance heater is inserted. The nut is screwed tight while the bolt is hot. Shrinkage on cooling develops the required tension.

Most businesses and individuals find greater tax advantages in Pennsylvania

TOTAL STATE, LOCAL AND WORKMEN'S COMPENSATION TAXES

(After the pending law goes into effect, exempting manufacturing corporations from capital stock taxes on capital invested in and actually employed in manufacturing operations in Pennsylvania.)

	Total Taxes Penna.	Total Taxes State "A"	Total Taxes State "B"	Total Taxes State "C"	Total Taxes State "D"	Total Taxes State "E"	Total Taxes State "F"
domestic manufacturing corporation all its business and having all its property in Pennsylvania.							
domestic manufacturing corporation business in and out of Pennsyl- but with most of its business and property here.							
foreign manufacturing corporation business in and out of Pennsyl- with most of its property in Pennsylvania.							
foreign manufacturing corporation business in and out of Pennsyl- with some property in Pennsyl- vania.							
domestic mercantile corporation doing business in Pennsylvania.							

This chart is based on figures for actual corporations, and the States compared are the principal northeastern industrial states.

PENNSYLVANIA has no personal income tax and no State sales tax.

The local Governments do not impose taxes on tangible personal property.

There is no State tax on either tangible or intangible personal property in the hands of individuals.

There are provisions for carry-back and carry-forward of corporate losses for purposes of State corporate income tax calculations, which result in an effective average method of determining taxable income. There is a law on the statute books (which goes into effect on the first day of the first year after the cessation of hostilities is declared) which exempts manufacturing corporations from capital stock taxes on capital invested in and actually employed in manufacturing operations.

Pennsylvania has a low level of local taxation and the combined State and local taxes therefore give

Pennsylvania corporations a favorable tax position in comparison with those of neighboring industrial States. On a per capita basis, combined State and local taxes are lower in Pennsylvania than in any of the other five principal manufacturing States in the northeast.

Beside this favorable tax position, in Pennsylvania a corporation enjoys the advantages of rich natural resources; plentiful, low-priced fuel and power; great transportation systems; more skilled labor than in any other State; a location in the center of the biggest markets in the nation; a business-like management of State affairs; and a sympathetic attitude toward business enterprise.

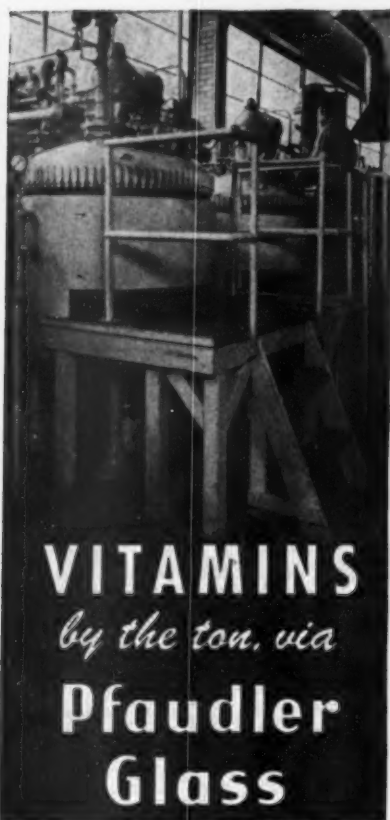
Representatives of the State Department of Commerce, Harrisburg, will be glad to help you find proper locations for any plant or branch you desire to locate in this State.

COMMONWEALTH OF

Pennsylvania

EDWARD MARTIN
Governor

FLOYD CHALFANT
Secretary of Commerce



No two vitamins are more important in the field of nutrition than B₁ and C. Both are relatively unstable, especially when exposed to heat. Thus, processed foods often require fortification. Among the large suppliers of these vitamins is Hoffman La Roche, Nutley, N.J. Here vitamins are made by the ton!

Hundreds of Pfaudler glass-lined steel process units are used here in practically every phase of production, all for the purpose of maintaining product purity, potency and profit. Strong acids and valuable solvents are the "life blood" of vitamins. Pfaudler glass prevents contamination.

If your operation includes chemicals, pharmaceuticals, drugs, dyes, foods, beverages or any other allied product, then Pfaudler glass-lined steel equipment has a place. Resistant to all acids, except HF, at elevated temperatures and pressures.

Pfaudler
ROCHESTER 4, NEW YORK
WORLD'S LARGEST MANUFACTURER OF
GLASS-LINED STEEL EQUIPMENT

MARKETING

FTC Prepares for New Role

Problems faced by cosmetic manufacturers as result of Arden demonstrator decision are viewed as natural subject for industry-wide approach planned under program indorsed by Truman.

First manifestations of the larger role projected for the Federal Trade Commission by President Truman (BW—Jun. 1'46, p7) are expected to result from the court victory which the Federal Trade Commission has won in the Elizabeth Arden cosmetic demonstrator case.

The Circuit Court of Appeals, New York, upheld the commission's order to Arden to stop price discrimination by failing to pay retailers for demonstrator services on "proportionally equal terms." Cases involving cosmetic demonstrators have been in the mill for almost ten years, being among the first brought under the Robinson-Patman act (BW—Nov. 14'36, p20).

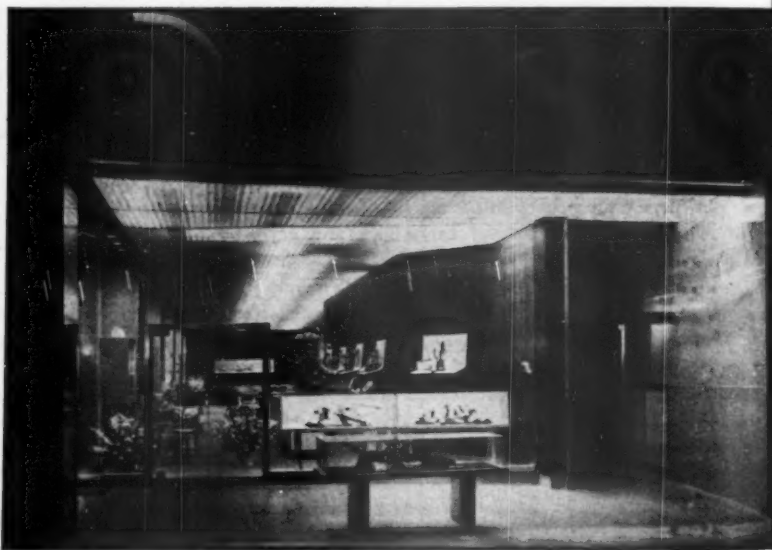
• **Washed Up**—Consensus of the industry is that the demonstrator system, as presently constituted, is washed up. The question now before the 60-odd houses that use demonstrators is—can a plan be worked out that will satisfy FTC? Last

week Commissioner Lowell B. Mason had this to say:

"If you will read the President's recent communication to Congress setting forth his plan for revamping the commission's method of dealing with business habits; then if you will read Circuit Court of Appeals decision in the Arden Case, you will see a perfect example of the type of situation in which the commission can handle under the proposed new setup."

• **New Approach**—Commissioner Mason refers here to the industry-wide approach which the commission proposes to make against unfair practices. It is on the cosmetic demonstrator issue that a trade practice conference of the goods industry blew up years ago (BW—Mar. 27'37, p44). Under the commission's new dispensation, however, such conferences would be drummed up by the commission on its own motion.

An expanded corps of field investi-



CLEAR VISIBILITY TO LURE SHOPPERS

Florsheim Shoe Co.'s new salon for women on Manhattan's Fifth Ave. follows the current trend in retail store construction—complete openness. Exterior walls made of plate glass from sidewalk to ceiling designedly offer passersby a powerful psychological invitation to "walk right in." The interior decor can be varied quickly and easily by rearrangement of wall draperies and concealed ceiling spotlights fitted with adjustable louvers.

will get preliminary information for conferences, and follow up in enforcing the rules which are adopted. The present voluntary procedure would give a new and stronger set of teeth to make it effective.

Up to now, trade practice conferences have been called only after a substantial group in an industry has found that a particular practice was injuring business and has requested FTC action.

Selling It Out—The result of such conferences is a set of rules which spells out the meaning of the law in situations familiar to the industry. In addition to rules which give effect to actual laws and court decisions, FTC approves so-called Group-II rules, which set forth practices that are regarded as desirable, but that are regarded as undesirable but actually in conflict with existing laws.

Trade practice procedure started back in 1919 with a code submitted by cream-butter manufacturers of Omaha. At the time called "trade practice submittals," the rules took the form of trade resolutions which the commission accepted.

Procedure Formalized—Later FTC recognized the value of a voluntary mass action on the unfair methods of competition which Congress had outlawed in the Federal Trade Commission Act of 1914, and in 1926 it formalized the procedure by setting up its trade practice division to take charge of all cooperative enforcement work. About 150 codes have already been put into effect.

In every set of rules, one or more can be found which aim at some special problem. The remaining rules are usually standard provisions which regulate the laws against such unfair practices as defamation of competitors, commercial bribery, false labeling, inducing breach of contract, and false invoicing.

Group II Examples—Typical Group II rules endorse keeping accurate cost records, arbitration of disputes, and maintaining of open price lists, or condemn practices like acceptance of returned goods, shipping unordered goods on consignment, and refusal to exchange information.

Biggest shortcoming in the trade practice system—a lack of consistent, aggressive enforcement by FTC—presumably will be corrected if the commission gets the Truman-sponsored appropriation which is now pending before a House appropriations subcommittee. If it gets the money, FTC will add some 350 people to its staff, mostly field investigators.

Conference Procedure—Simultaneous sessions on the members of an industry will precede future trade practice conferences. If investigation discloses need for action, an entire industry will be invited to Washington to talk it over. Those



This time THE MOUNTAIN CAME TO MOHAMMED!

We don't remember why the original Mohammed wanted the mountain to come to him, but *this* Mohammed avoided mountains because his jalopy always got stuck on them. He had paid service bills to dozens of shops but, back on the road, he *still* got stuck.

One day "Mo" read the advertisement of Ben Ali, a progressive garage-man who claimed to have in his shop a *magic* mountain called MOTO-MIRROR—guaranteed to locate *any* trouble in any car...but *instantly*! Skeptical but hopeful, "Mo" limped into Ben Ali's establishment. Once there, his car was driven on MOTO-MIRROR; Ben pressed a button to create a "mountain" under the rear wheels and—*presto!* the real trouble was found and quickly fixed. Mohammed couldn't have been happier had he inherited the original Magic Carpet.

Actually, there's no magic about MOTO-MIRROR. It simply creates the "road load" of any driving situation under the rear wheels—then measures the car's performance and all-over mechanical condition like a butcher's scale weighs a pound of hamburger. *While the car is working under actual driving conditions* correct adjustments are readily made as each unit is isolated and made to show *exactly the kind of service it will give on the road*. Guesswork is eliminated and you can be *sure* your car is tuned to its peak performance.

You buy only the service needed from service shops equipped with MOTO-MIRROR—and the quality of the service is *proved* before you go back on the road.

Herky Horsepower Says:
Before long your dealer will have this amazing new equipment, then you can get that lazy horsepower off the dime with a MOTO-MIRROR tuneup.



MOTO-MIRROR is simple to operate, easy to install and priced within the reach of any service shop...it is the first practical service dynamometer.

CLAYTON

MANUFACTURING CO
ALHAMBRA, CALIFORNIA

MANUFACTURERS
OF
STEAM GENERATORS,
CHASSIS AND ENGINE
DYNAMOMETERS,
KERRICK CLEANERS,
HYDRAULIC VALVES



"Dr. Livingstone was found, but..."

Maybe you think that search was relatively easy—because Mr. Stanley had only to rummage through darkest Africa ... while your lost documents or letters are biding away in an old-fashioned "filing" system. Then come out of yesterday's business jungle, into the clear day of modern methods. And, for your guide, call on—

ART METAL'S "MR. EXPEDITER, O. D."

This fellow is named "Doctor of Offices" because he *knows* his stuff. He can show

you how a file, which protects valuable records, can be made to produce the record when you want it—and quicker than you can say "Mr. Expediter." Ask him to come in and make suggestions on streamlining and simplifying your office problems. Ask him about Wabash indexing systems and Art Metal "finding" equipment. Ask for a copy of his helpful "Office Standards and Planning Book." No obligation; no charge. Simply call your local Art Metal dealer or write Art Metal Construction Co., Jamestown, N. Y.

Makers of

ART METAL STEEL OFFICE EQUIPMENT POSTINDEX VISIBLE INDEX RECORDS

*WABASH FILING SUPPLIES

*a subsidiary company

BALTIMORE • BOSTON • CHICAGO • CINCINNATI • DETROIT • HARTFORD
LOS ANGELES • NEW YORK • PHILADELPHIA • PITTSBURGH • WASHINGTON

SYSTEMATIZED EQUIPMENT AND RECORDS FOR BUSINESS



TO ATTRACT ATTENTION

Two years ago Yale & Towne Metal Co. took a realistic look at building hardware packaging in general, and its own 20-year-old box designs in particular, found them drab and hard to identify in comparison with the vibrant packaging of food and other consumer lines. Accordingly, next month the company will launch new packaging: bright red boxes with a blue-on-yellow Yale at the left edge of each box. This is calculated to make a vertical strip down the retailers' shelves, in contrast with general horizontal direction of competitive packaging. Catalog numbers are uniformly in the lower right corners of the boxes.

who cooperate in framing rules to curb illegal practices should get along nicely with the commission.

The few who may not care to sign the pledge will be offered individual stipulations to sign. Refusal presumably will mean formal complaints and hearings in which they will have the opportunity to litigate their differences with the commission.

• **With Dispatch**—Complaint cases FTC officials say, would be handled with dispatch, since the commission would already have its evidence from a majority of the industry proving that the challenged practice is unlawful.

With this new and stronger set of teeth, FTC officials think their broadside attack will provide more equitable enforcement of fair competition, reaching the bad actors as well as the good boys of an industry.

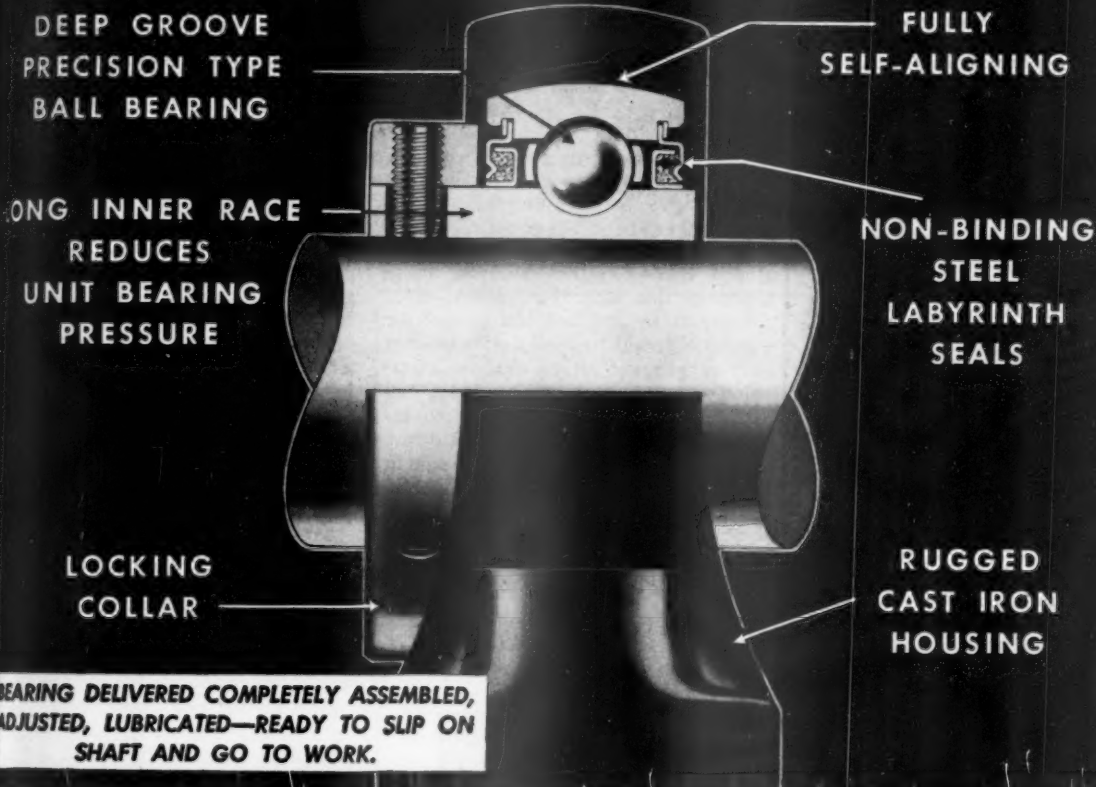
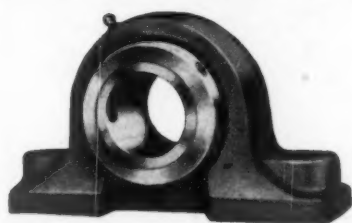
NEW KANSAS CITY MART

With the national pattern of distribution steadily adjusting itself to the slow westward movement of population, Kansas City's importance as a wholesaling center continues to increase. Latest in

NEW BALL-BEARING PILLOW BLOCK

in the

Famous 30,000 Hour Line



BEARING DELIVERED COMPLETELY ASSEMBLED, ADJUSTED, LUBRICATED—READY TO SLIP ON SHAFT AND GO TO WORK.

DODGE

MISHAWAKA

THE SYMBOL THAT CAME TO LIFE

The man who walks into your shop wearing this symbol is the embodiment of a service which gives you the correct answer to your problems in efficient mechanical transmission of power. He is the Dodge Transmissioneer.



sealed against loss of lubricant or admission of dirt. It is a completely assembled, pre-lubricated, factory-adjusted unit which comes to you ready for installation and years of smooth, uninterrupted service.

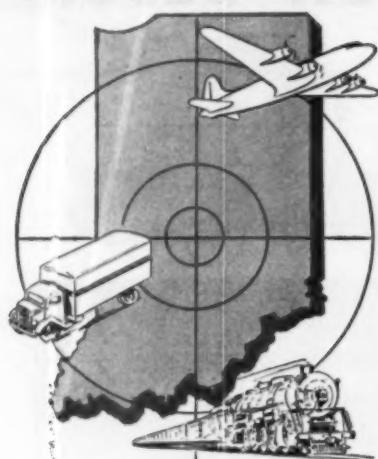
This bearing is available from stock in shaft sizes ranging from 1 1/16" to 2-1/4". For prices and delivery call the Dodge Transmissioneer, your local Dodge distributor. Look for his name under "Power Transmission Equipment" in your classified phone book. Or write

DODGE MANUFACTURING CORPORATION, MISHAWAKA, INDIANA

Copyright, 1948, Dodge Mfg. Corp.

FOR YOUR NAME PLATE REQUIREMENTS, WRITE OUR SUBSIDIARY, ETCHING COMPANY OF AMERICA, 1520 MONTANA STREET, CHICAGO 14, ILLINOIS

INDIANA



CENTER of Railways, Highways, Airways

INDIANA is a nerve center of communications. No state in the West, Middle West or South has such a density of good paved roads—.27 miles of paved roads for every square mile of area... The principal north-south and east-west airlines serve Hoosier manufacturers... All main railway lines east of Chicago, and many vital north-south railroads, carry Indiana traffic... Indiana touches navigable water on both north and south... In short, you can ship into and out of Indiana quickly, efficiently, economically, choosing your own method.

INDIANA

Your LOGICAL
Industrial Location



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INDIANA DEPT. OF COMMERCE AND
PUBLIC RELATIONS.....DEPT. B-13
STATE HOUSE • INDIANAPOLIS, INDIANA

dication of this is the city's new Merchandise Mart.

The Mart, a Missouri corporation with \$500,000 authorized capital, was originally a project of the city's Advertising & Sales Executives Club, and its 175 stockholders are local businessmen. They purchased a loft building in the city's wholesale area and remodeled it to provide display space for 300 lines of merchandise.

The Mart will reach maximum occupancy next month at the peak of fall and winter buying. Stockholders expect it to bring \$50,000,000 into the city annually in wholesale business.

Catalog Magazine

Alden's mail-order house adds interest to its "store" by including women's feature articles in new fall list.

To a mail-order customer, the semi-annual catalog is the store. In recognition of that fact, the big mail-order companies in the last ten years have smartened up their books with colored photographs and other modern advertising devices. But catalog space traditionally has been considered too expensive to allocate to editorial features.

The principal exception to the rule in recent years was an eleven-page section in the Sears Fall 1941 book, which

showed in words and pictures the life of typical urban and rural customers. Sears never repeated the experiment.

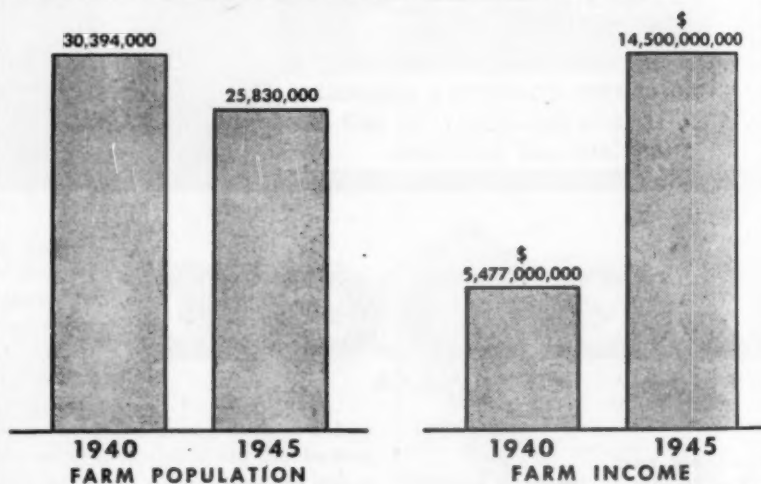
• **Personal Guide**—This year, Alden Inc. (formerly the Chicago Mail Order Co.), has broken with the tradition of its 1946 fall catalog, going out to customers next month. Alden's has included 16 pages devoted to typical women's magazine features, which the firm calls a personal guide for better living.

Designed with the idea of making a catalog more interesting and keeping it from too early discard, the guide covers such topics as "How to Look Your Loveliest for the New Fashions," "How to Keep Your Man at His Best," and "How to Achieve the New Season's Fashion Look." The innovation is known at Alden's as "Project X," and until publication it was kept a secret from all but three top Alden executives.

• **More Hard Goods**—Long the country's fourth largest mail-order house, Alden's is known in the trade as specializing chiefly in fashion merchandise and soft lines. In late years the company has greatly increased its emphasis on hard goods, with expanded offerings of home furnishings, refrigerators, radios, and other big-ticket appliances bought by women for the home.

Though it has recently followed Sears, Ward's, and Spiegel's (the three larger mail-order firms) into across-the-counter retailing by buying up a few retail department stores, Alden's remains primarily a catalog house.

FEWER FARMERS MAKE MORE MONEY



Like their city cousins (BW—Jun. 1'46, p68), farmers are enjoying an era of unequaled prosperity. Estimates place net farm income in 1945 at approximately \$14,500,000,000 as contrasted with an actual figure of \$5,477,000,000 in 1940. But even that isn't enough to keep 'em down on the farm, for between 1940 and the end of 1945 farm population shrank by 4,500,000 persons. Fewer farmers and more dollars mean that annual per capita farm income has risen from \$180 to \$560 in the past five years.

Standard Is Strong in Disunion

Former oil trust's components seem to vindicate foresight of Supreme Court by growing and prospering while providing an abundance of evidence that they are in competition with each other.

Something akin to second sight must have motivated the nine justices of the United States Supreme Court who, in November, 1911, unanimously ordered the dissolution of Standard Oil Co. (Ind.) through divorcement of its subsidiaries from the parent company and from one another.

The objective of that momentous ruling was to break the petroleum monopoly which John D. Rockefeller and his co-partners had built up, and to foster competition in an industry that had come to be dominated by the Standard Oil trust through its control of some 70% of the nation's refining capacity (in contrast to an estimated 35% now controlled by the companies formerly in the trust).

Competition—How extraordinarily that order achieved its desired result may not be apparent to the casual observer, but the oil industry can cite abundant evidence that the surviving children of the old S. O. trust are as much in competition with one another today as with petroleum companies possessing no such common parentage. Most striking example of this fact is petroleum products marketing. The old Standard Oil companies now serving motorists through service station outlets are in competition with one another (directly, or through subsidiaries) all over the nation (maps, page 1), whereas, prior to 1911, each had a carefully circumscribed field of operation.

West Meets East—And there's nothing static about this competition; it is increasing constantly. Latest competitive thrust was by Standard Oil of California, which is invading the eastern market in a small way. Before the war, sold 2,000,000 bbl. to 3,000,000 bbl. of gasoline to Sun Oil Co. for distribution in the East under Sun's brand name. Then Sun enlarged its refining capacity sufficiently to supply its own needs, canceled the deal.

Rather than cut back its refinery runs, Standard of California decided to enter the eastern market directly, leased storage space at Barber, N. J., and set its subsidiary, the California Oil Co., to selling up independent distributors.

Calso on the Atlantic—Motorists this summer will be able to buy "Calso" gasoline at scattered service stations in a quartet of Atlantic seaboard states—territory already served by four other Standard Oil offspring.

One interesting result of the dissolution is that, whereas in 1911 Standard

Oil was the one major oil company in this country, today four of the nation's five largest oil firms are old Standard Oil family members. (Rank of the five largest oil companies, on the basis of total assets at the close of 1945, was: Standard Oil (N. J.), Socony-Vacuum, Standard Oil (Ind.), the Texas Co., and Standard of California.)

Identities Retained—Of the 34 companies involved in the dissolution proceedings, 19 still retain their corporate identity. Now, as then, they cover the whole petroleum field, from producing through pipeline operations to refining and marketing. There are even petroleum specialties firms, such as Borne Scrymser Co. and Chesebrough Mfg. Co. (its Vaseline trademark has become

a household word), both still very much in existence.

Some of the original marketing companies have become parts of other firms in and out of the S. O. "family."

For Instance—Three examples of this are:

(1) Standard Oil Co. of New York and Vacuum Oil Co., two of the 34 firms dissociated by the 1911 decision, merged in 1931 to form Socony-Vacuum Oil Co.

(2) Standard Oil Co. (Neb.), selling gasoline and oil products in Nebraska, was absorbed by Standard of Indiana in 1939.

(3) Assets and properties of Continental Oil Co., a marketing concern to which the Rocky Mountain area was assigned under the old S. O. trust, were acquired in 1929 by the J. P. Morgan-controlled Marland Oil Co. to strengthen Marland's distribution setup. Marland, theretofore chiefly an oil producer and refiner, then changed its name to Continental Oil Co.

And So the 19—Similar occurrences, along with a few out-and-out dissolu-

Standard Is Planted on Nearly Every Shore

With the exception of Standard Oil Co. (Indiana), most of the major Standard Oil companies are extensively engaged in foreign operations. And in this they have sometimes gone it alone, sometimes worked with their former associates, and sometimes joined with operators outside the S. O. fold.

Throughout the World—Standard Oil Co. (N. J.), for example, has literally scores of subsidiaries engaged in various phases of the oil business throughout the world. It owns 93.14% of Creole Petroleum Corp., big Venezuelan producer and refiner, 70.14% of Imperial Oil, Ltd., Canadian producer, refiner, and marketer. Jointly with Socony-Vacuum Oil Co. it owns Standard-Vacuum Oil Co., Near East Development Corp., and Intava, Inc.

Standard-Vacuum operates in the Far East, India, Australia, New Zealand, and Africa; Near East is the vehicle through which its two owners hold a 23 1/4% interest in the Iraq Petroleum Co., operating in Mesopotamia; Intava supplies petroleum products at foreign air bases.

In France—Through United Petroleum Securities Corp., Jersey Standard is linked with Gulf Oil Corp. and Atlantic Refining Co. in operations in France. Jersey Standard has a 67.50% interest in United, Gulf 22.50%, Atlantic 10%.

Socony operates in normal times in every nation in the world except Russia. Beyond its own subsidiaries and companies owned jointly with Jersey Standard, it is associated with the Texas Co. in two South American ventures; South American Gulf Oil Co. and Colombian Petroleum Co., which hold the "Barco" concession from the government of Colombia covering some 500,000 acres.

In Both Hemispheres—Standard of California, besides refining and marketing in western Canada through Standard Oil Co. of British Columbia, Ltd. has several wholly-owned exploration and marketing companies in Central and South America.

But the biggest portion of its foreign operations are owned jointly with the Texas Co. These include Arabian American Oil Co., which has a concession covering 278,272,000 acres in Saudi Arabia; Bahrain Petroleum Co., Ltd., holding concessions on Bahrain Island in the Persian Gulf; and N. V. Nederlandsche Pacific Petroleum Maatschappij, holding concessions in the Netherlands East Indies.

Atlantic's Scope—Atlantic Refining and subsidiaries market in a number of South American, European, and African areas and have oil concessions in Venezuela. Other companies in the old Standard Oil family have remained strictly domestic.



Typical RCA Sound System Control Rack, with AM-FM Radio, Automatic Record Changer, monitor speaker, mixers and station switch panel.

An RCA Sound System will help you cut costs—step up production efficiency

"Work music" is working in thousands of industrial plants today—helping to cut costs and increase production efficiency by boosting employee morale—relieving the monotony of repetitive tasks, cutting that "tired feeling."

Increased efficiency means more production, better product quality, and less waste of "hard-to-get" materials.

An engineered sound system puts you in instant touch with your entire plant—for paging, announcing, and

broadcasting of employee "pep-talks". . . it puts the "personal touch" into your employer-employee relations.

An RCA Sound System will function reliably and efficiently—because RCA has the engineering background and know-how to give you the sound system that will best fit your needs. Contact your local RCA Sound Distributor today, or write direct to Sound Equipment Section, Radio Corporation of America, Camden, New Jersey. Dept. 21-F



SOUND SYSTEMS

RADIO CORPORATION of AMERICA

ENGINEERING PRODUCTS DEPARTMENT, CAMDEN, N.J.

tions, account for the reduction of the original 34 to the present 19.

Oldest of the Standard Oil companies is Standard of Ohio. This was incorporated Jan. 10, 1870, by John D. Rockefeller and associates under laws.

Expanding their holdings rapidly, the Rockefeller group in 1882 established a trust, managed by nine trustees, and to them was conveyed all the stock of various properties.

• **State by State**—The trust agreement provided that the trustees should select a Standard Oil Co. in each state, named for the state in which it was located. This plan was never completely carried out, but it did result in formation of Standard Oil Co. of New Jersey, which changed in 1892 to the present name of Standard Oil Co. (New Jersey). Other Standard Oil companies include Standard of New York, Standard of Kentucky, and others.

With the rise of the holding company, Standard Oil (N. J.) was merged with the parent firm, owning the stock of the 33 subsidiaries. This transition was gradual and was not completed until after 1900.

• **Antitrust Action**—In the meantime, in 1890 the Sherman Antitrust Act had been put on the federal statute books. A suit was filed against Standard Oil, one of the nation's great trusts, in 1906 and on May 15, 1911, the Supreme Court unanimously affirmed the lower courts' dissolution order and gave the defendant six months to comply.

Dissolution was accomplished by dividing each of the 6,000 Standard Oil (N. J.) stockholders his equivalent number of shares in each of the 34 constituent companies.

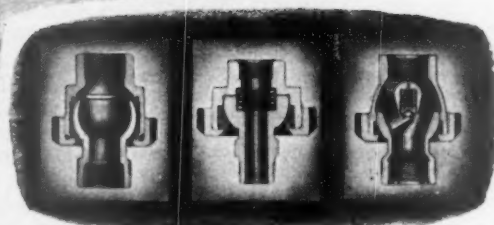
• **Motorism's Rise**—In 1911, motor vehicles were numbered in the thousands rather than the millions, and the market products of oil companies were chiefly kerosene, lubricating oils, and grease, harness oil, and related items. But in the succeeding five years, Henry Ford and his Model "T" brought mass production to the auto industry, and car and truck output jumped eight-fold (210,000 vehicles in 1911; 1,617,708 in 1916), and motor gasoline became the dominant factor in the petroleum industry.

And the Standard Oils thrived and prospered. Here's the way the nine marketers stack up today:

• **Standard Oil Co. (New Jersey)**—With worldwide assets twice those of its nearest domestic competitor (box, page 74), it is essentially a holding company, although since January, 1945, it has run a fleet of ocean tankers. It has scores of subsidiaries, domestic and foreign, in every conceivable phase of the petroleum business. Best known among the wholly-owned are Standard Oil Co. of New Jersey, set up in 1927 to take over many operating functions of the

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parent company; Gilbert & Barker Mfg. Co., pump, oil burner, and tank manufacturer; Stanco, Inc., producing specialty oil products such as Flit and Nujol; Standard Oil Co. of Pennsylvania, oil and gasoline marketer in that state; Standard Oil Development Co., research; Carter Oil Co., producer, refiner, and marketer; Daggett & Ramsdell, cosmetics.

Firms in which it holds less than 100% of the capital stock include Colonial Beacon Oil Co. (99.95% owned), refining and marketing; Humble Oil & Refining Co. (71.90%), producing, refining, and marketing; Imperial Oil Ltd. (70.08%), Canadian producer, refiner, and marketer; Ethyl Corp. (50%; the other 50% owned by General Motors Corp.), manufacturing tetraethyl lead.

Jersey Standard had a consolidated net of \$154 million in 1945, approximately \$85 million in the first half of 1946; produced over 363,000,000 bbl. of crude oil (13.5% of total world production), and refined some 408,000,000 bbl.; had 160,000 stockholders and 108,000 employees at the year's end; operated 10,700 miles of trunk pipelines; are big factors in synthetic rubber.

• **Socony-Vacuum Oil Co.**—With its subsidiaries, Socony markets gasoline in 43 states—more than any other in the Standard Oil group. Important domestic subsidiaries include General Petroleum Corp. (wholly owned), and Magnolia Petroleum Co. (99.9992% owned), both producers, refiners, and marketers.

Affiliates include Neches Butane Products Co. (22.857% interest), organized under government sponsorship jointly with Texas Co., Gulf Oil Corp., Pure Oil Co., and Atlantic Refining Co., to manufacture butadiene from petroleum, for synthetic rubber; and Houdry Process Corp. (33%), which owns processes and patents for refining gasoline and other petroleum products.

Socony's 1945 net was \$42,300,000; its United States crude oil production was 61,585,000 bbl., refinery output 137,684,000 bbl., and natural gas production 114,787,000,000 cu. ft.; it had 130,130 stockholders and 39,445 employees at the end of the year; and its retail outlets approximate 39,000 (nearly all of them dealers).

• **Standard Oil Co. (Indiana)**—Third among the nation's oil companies, Standard of Indiana is the largest refiner and marketer in 15 north central states containing nearly one-third of the nation's population.

Its major wholly-owned subsidiaries include Pan American Petroleum Corp., engaged in refining and marketing, and Stanolind Oil & Gas Co., chiefly a producer of crude oil and gas and refinery operator.

It holds major interest in Pan American Petroleum & Transport Co. (78.63%), whose subsidiaries are en-

And How They Grew

Growth of the Standard Oil trust's "children" in the 35 years since the dissolution is shown in comparison of the companies' assets at the end of 1912, the first year of independent operation, and at the start of 1946 (figures in millions of dollars):

	1912	1946
Standard Oil (N. J.)	\$370.0	\$2,530.0
Socony-Vacuum	124.2*	1,070.0
Standard Oil (Ind.)	43.9	940.0
Standard Oil (Calif.)	67.3	710.0
Atlantic Refining	28.6	270.0
Standard Oil (Ohio)	12.9**	140.0
Ohio Oil Co.	65.6	130.0
Standard Oil (Ky.)	5.1	30.0
South Penn	17.6	30.0

*Socony-Vacuum was formed in 1928 through merger of two old Standard subsidiaries, Standard Oil of New York (1912 assets: \$92,200,000), and Vacuum Oil Co. (1912 assets: \$32,000,000).

**Asset figure is for the end of 1912, first available.

gaged in production, refining, and marketing. These Pan American subsidiaries include American Oil Co., external marketer in the East. Standard of Indiana also controls Utah Refining (75.20%), refiner and marketer.

The 1945 net was \$50,340,476; crude oil production 64,685,000 bbl.; crude oil purchased, 129,949,000 bbl.; sales of products, 139,000,000 bbl. The company owns 12,478 miles of pipeline, one of the largest systems in the nation; had 97,166 stockholders and 36,000 employees at the end of 1945; and products reach the public through 765 retail outlets.

• **Standard Oil Co. of California**—With a history tracing back to California's first discovery of oil (Rockefeller interests absorbed the early producer-firm in 1900), Standard of California is the dominant producer and distributor on the Pacific Coast. Its crude reserves are among the largest of any domestic concern.

Important subsidiaries, all wholly owned, include Standard Oil Co. of Texas and the California Co., both engaged in producing, refining, and marketing; and the California Oil Co., marketer. It holds a 48.12% interest in Pacific Public Service Co., which, with subsidiaries, produces, transports, markets gas, electricity, and bottled waters; a 50% interest in American Gilsonite Co. (BW-Jan. 12 '46, p. 60) and a 59.87% interest in California Spray-Chemical Corp.

Standard of California had a 1945 net of \$55,500,000; it produced 79,340,500 bbl. of crude, refined 93,343,802 bbl. and sold 123,135,537 bbl. of crude oil and products and 90,571,132,000 cu. ft.

of natural gas; stockholders number 187; employees 25,000.

Atlantic Refining Co.—Organized in 1870, Atlantic Refining passed into control of Standard Oil in 1874. Engaged in practically all phases of the petroleum business, from exploration to marketing gasoline and specialty products, it operates directly or through a score of subsidiaries, many of which contain "Atlantic" in their names. It has a minority (43%) interest in the Neches Bulk Products Co.

In 1945, net was \$1,509,107 (lowest since 1931, principally because it made lump sum amortization of manufacturing equipment built during the war). Atlantic produced 24,761,000 bbl. of crude and processed 43,100,000 bbl.; sold 55,300,000 bbl. of products; had 2,282 employees, 3,706 preferred and 531 common stockholders, and 1,274 retail outlets.

Standard Oil Co. (Ohio)—The dominant refiner and marketer in Ohio, Standard of Ohio has held more closely to the old Rockefeller concept of a separate Standard Oil for each state than any of its namesakes. Its one major venture toward expansion beyond state boundaries has been Fleet-Wing Corp., which distributes its own brand name gasoline in half a dozen states through independent wholesalers and retailers. Standard of Ohio also owns a 44.1% interest in Indian Oil Co., which markets refined products in Detroit.

The company's 1945 net was \$3,713,000; crude oil production (low in proportion to requirements) 7,545,000 bbl.; volume of oil processed, 27,153,000 bbl.; it had 7,227 employees and 10,733 stockholders; and its products were marketed through 4,000 retail outlets.

Ohio Oil Co.—An important producing unit in the old Standard Oil setup, Ohio Oil in 1924 acquired control of the Lincoln Oil & Refining Co. (subsequently dissolved) and thus got into the refining and marketing fields. It has large natural gas holdings in Wyoming and Montana, and two subsidiaries, Rocky Mountain Gas Co. and Billings Gas Co., distribute the gas to numerous communities in the two states. It also has a 24% interest in Mountain Fuel Supply Co., which produces and transports gas, marketing it in Salt Lake City and other communities.

Ohio Oil had a 1945 net of \$13,500,000; it produced 32,825,000 net bbl. of crude but refined only 7,002,000 bbl.; operated 1,457 mi. of gathering pipelines and 2,506 miles of trunk lines; had 33,006 stockholders, 5,547 employees, and some 2,300 retail outlets.

Standard Oil Co. (Kentucky)—A marketing organization only, Standard of Kentucky purchases its supplies largely from Standard of New Jersey and is the leading distributor in the Southeast. Its 1945 net was \$3,530,000. Stock-

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Now—when you can buy platers' supplies from Udylite and get all this service without paying one cent more than they cost elsewhere, isn't it just good business to do it?

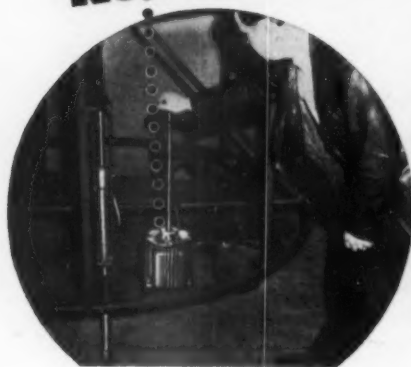
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A few short strokes on this P-60 Blackhawk Hydraulic Pump activate two Blackhawk Hydraulic Rams, that raise this loading ramp off its casters for firm footing.



Simple flip of the valve releases hydraulic pressure. Spring tension draws feet up, allowing ramp to settle back on casters and be quickly rolled out of the way.

ANOTHER example of product development with Blackhawk Hydraulics is demonstrated in this new loading ramp designed by Aircraft Mechanic Inc. Built especially for the larger transports, this circular loader is more compact, replaces the long, single stairway, and adds to passenger safety during loading and unloading operations because ramp is on a firm footing. One man handles it easily. A real sales appeal!

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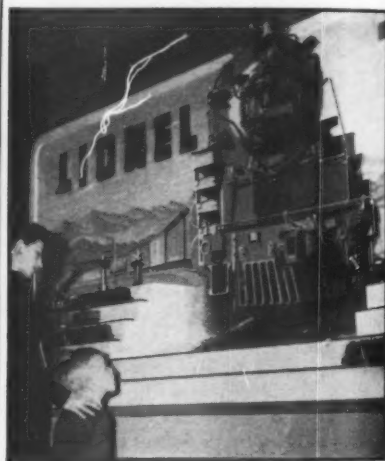
holders number 17,491, employees about 2,000, retail outlets around 1,520.

• **South Penn Oil Co.**—The largest producer of Pennsylvania grade crude and one of the major gas producers east of the Mississippi, South Penn is in the gasoline marketing business in only a relatively small way, owning or controlling 41 service stations and serving approximately 500 dealer outlets.

A subsidiary, Pennzoil Co. (51% owned) markets through 2,100 service stations (both controlled and dealer outlets), while lubricating oils are sold nationally. South Penn is linked with Tide Water Associated Oil Co., which owns 172,743 shares (out of 900,000 outstanding) of South Penn stock, and South Penn in turn owns 176,477 shares (out of 6,408,132) of Tide Water common.

South Penn netted \$4,380,000 in 1945; produced some 4,225,000 bbl. of crude and bought another 2,080,000 bbl.; has 6,639 shareholders and 2,000 employees.

• **What's in a Name?**—Despite sedulous efforts by the various old Standard Oil companies to emphasize their individuality (particularly in the case of those using the "Standard Oil" name), three



STOP! LOOK! BUY!

Small fry will gaze open mouthed next Christmas at the store display contrived by Lionel Corp., New York, in which a moving train with flashing lights apparently rushes toward them. The train is painted on a 15-ft. background—except for the front, which is a profiled panel that rocks convincingly. Ties moving on an endless belt in front of the train complete the illusion of motion. Fifty department stores will pay \$375 each for the display to boost already booming toy train sales. Lionel currently reports a \$9,500,000 backlog of orders.

months of the public fails to distinguish
from another (BW-Sep. 8'45, p51).
There are many reasons for this con-
fusion other than similarity of names.

There are a few:
Standard of Kentucky sells some
products under the Esso trade name
widely used by Standard of Jersey.

Through joint ownership of Atlas
Supply Co., Standards of Jersey, In-
diana, California, Kentucky, and Ohio
market tires and other auto accessories
under the same brand name, Atlas.

Reciprocity—Credit cards of oil com-
panies generally confer reciprocal rights
in territories served by others—and in
instances where this reciprocity involves
different Standard Oil concerns, it tends
to link them in buyers' minds.

Standard of Indiana, in disposing of
its foreign interests (represented by

its 6% ownership of Pan American For-
eign Corp.) to Standard Oil (N. J.) in
1932, received \$47,910,107 in cash and
178,973 shares of Jersey's stock. Sub-
sequent transactions—the latest the sale
in May of a block of 200,000 shares

have reduced its holdings to 1,651,071,
or some 6% of the 27,333,742 Jersey
shares outstanding at the end of 1945.

Rockefellers' Stake—And what of the
Rockefellers' current interest in the
companies John D. Rockefeller created?

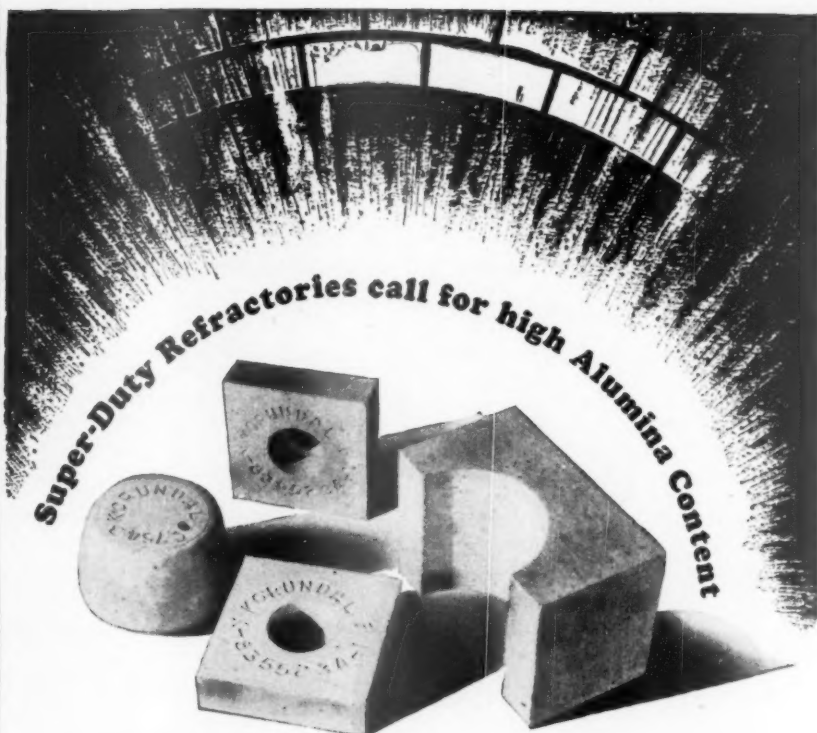
The Securities & Exchange Commis-
sion, which requires that all holders of
more than 10% of any stock issue be re-
ported, lists only two instances in which
the Rockefellers' holdings, including
those of trusts and foundations in which
they are interested, exceed that 10%.
The holder in both instances is the
Rockefeller Foundation, and the shares
are those of Standard of Ohio and
Union Tank Car Co.

P.S.

OPA is warning retailers in the
Atlanta area that they must stop sell-
ing radio sets without tubes, or else
apply to Washington for a special price.
Because of the tube shortage, distribu-
tors have been getting tube-less sets
from manufacturers. Adding tubes and
charging extra is also illegal, says OPA.

The 40 windows of Macy's Manhat-
tan department store this week are plug-
ging Macy's services—comparison shop-
ping, gift bonds, personal shopping, etc.
Macy's wants to get across the idea that
the war is over and customers can again
expect to be pampered.

The Miami Herald (daily circulation
153,000, Sundays 174,000) proves that
you don't have to be big to be interna-
tional. A "clipper" edition is now being
shipped to Central and South American
countries, with a circulation of around
3,000 daily in 26 key cities. Most of the
readers are representatives of U. S. firms
who want their back-home news in daily
doses.



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super-duty brick and refractory shapes
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peratures, excellent resistance to spalling—these are
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a high Alorco Alumina content. And their desirable
properties increase progressively in proportion to the
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strength. Continuing research and analysis of perform-
ance data are uncovering additional advantages.

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samples for trial in their own processes. Call the nearby
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LABOR

Teamsters Win Stronghold

A.F.L. union's success in signing contract covering 3,000 Spiegel mail-order employees indicates that Chicago may see a major shift in interunion power relationships.

In what looked as if it might presage a major shift in interunion power relationships, the A.F.L. Teamsters Union last week bit off as its own particular dainty the job of representing in collective bargaining a big group of the thousands of mail-order employees in Chicago. As a result of the Teamsters' successful 2½-week organizational strike at Spiegel, Inc., nation's third largest mail-order company (BW—Jun. 15/46,

p92), the warehousemen's local of the Teamsters signed a temporary contract with the company making the union sole bargaining agent for over 3,000 Spiegel employees at 14 Chicago warehouses.

• **Wide Coverage**—Employees covered by the contract include order fillers, receiving clerks, dispatchers, and other classifications of merchandise handlers. They amount to 50% to 55% of Spiegel's Chicago employees.

The workers won a blanket wage increase, retroactive to June 10 of 1946, an hour for all employees covered. The rest of the contract, including large increases for workers in higher classifications, is to be completed this week in negotiations with the company.

The Spiegel victory gave the A.F.L. union a strong hold in its third Chicago mail-order firm. For five years, the local has represented about half the workers at Alden's, Inc., including over 2,000 merchandise handlers who are in much the same jobs as the employees covered by the new Spiegel contract. The other previous contract covers employees at Walter Field & Co., a smaller mail-order firm.

• **Citywide Campaign**—Aim of the Teamsters' drive, according to union officials, is to sign up every warehouse in Chicago. Observers wondered whether the A.F.L. may not be succeeding in doing at the other mail-order houses what the C.I.O.—United Retail, Whole

New NLRB Member Quit Wall Street for Steel Mill

The Navy gets a working majority on the National Labor Relations Board Aug. 27 when the newly appointed James J. Reynolds, Jr., replaces Gerard D. Reilly. The 39-year-old Reynolds served as a commander during the war, assigned to labor relations duties for the Navy Dept. On the board already as chairman is Paul M. Herzog, who resigned his naval commission to become Truman's first appointee to that controversial agency. John M. Houston, NLRB's third member, served with the Marine Corps.

• **Studied Labor Problems**—Reynolds, brother of the ebullient war correspondent Quentin Reynolds, is a colorful figure in his own right. He resigned his partnership in a Wall St. firm with a seat on the stock exchange in 1939 to take a day laborer job in a steel mill. His friends insist that it wasn't because he had suddenly become a radical; rather that he was intent on getting an insight into labor problems. In 1940 he became director of industrial relations for the Bessemer (Ala.) plant of the U. S. Pipe & Foundry Co. and was assistant to the president there when he went into the Navy in 1942.

Part of Reynold's wartime assignment involved keeping a finger on the pulse of union-management relations in plants working on Navy contracts. He was the Navy's labor expert in Brewster Aeronautical in 1943 when some newspapers were giving



James J. Reynolds, Jr.

the nation the impression that the biggest single thing wrong with the war production effort was the president of the U.A.W.-C.I.O. local in Brewster, one Thomas DeLorenzo (BW—Oct. 16/43, p7). Labor trouble in Brewster while DeLorenzo ran the local union there was held responsible by the pre-Henry Kaiser management for the plant's miserable production record.

• **Aided Unpopular Cause**—A congressional committee called DeLorenzo to Washington, to get

something on him and succeeded in revealing that his name had once been Harry Posner, and that he had neglected to make this fact known in his draft registration. This oversight, a federal offense, eventually sent DeLorenzo to prison, but before it did, Reynolds provided DeLorenzo with about the only character reference he got from a nonlabor source.

Right-wing elements in the C.I.O., which came to DeLorenzo's aid, have always felt grateful to Reynolds for speaking up in a highly unpopular cause. Whether the Senate, which has to pass on Reynolds' appointment, will hold it against him, remains to be seen. The Senate attitude may be determined by whether the A.F.L. shows enthusiasm for having Reynolds replace the only A.F.L.-minded man on the board.

• **More Harmony Due**—Reilly, that man, leaves to take up the private practice of law in Boston and Washington. He was the most consistent dissenter on NLRB. The C.I.O. was out for his scalp, but it is a fact that Truman offered to reappoint him for another term. He has been distinguished lately for his dissents from the Herzog-Houston majority in a series of cases involving the right of foremen to Wagner Act coverage. Reynolds is not expected to feel so strongly that supervisors should be excluded from such coverage, and the board is expected, after August, to produce fewer split decisions.

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*Every day
is March 15th...*



To the general public, Garson's date with Gable may be much more significant than the tax collector's—though one movie goes in two now pays income taxes. But for the business man, more concerned with reality than romance, every day is March 15th! Complex corporation income tax, social security, state, city, county, payroll, workman's compensation, and township taxes are a year round problem.

THE mysterious maze of taxes, the miles of fill-in forms are made

clear by the modern accountant... who points out proper deductions or additions... interprets complex regulations and requirements... aids business to comply with the law, not to circumvent it... usually saves more than his stipend. Base of the accountant's work is daily and monthly data—comprehensive, current, quickly available.

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sale & Department Store Employees still struggling to achieve at Montgomery Ward & Co.

The U.R.W.D.S.E. has been out a contract at Ward's since they moved out last October, and is tediously continuing the organizing which so far has only succeeded in bleeding the union white. Negotiations for a contract with the company are currently at a standstill, but union officials remain convinced that they one day force Ward's to the line.

The Teamsters have not yet put their hand to indicate a move at Sears, Roebuck Chicago headquarters where no union organizing drive yet made a dent. With national strings of plants, Sears and Ward's both better equipped to stave off union tactics as the Teamsters use Spiegel's.

• **Tied Up Operations**—The strategy there was simple: Union drivers belong to other teamster affiliates tied up order operations in a knot by refusing to make deliveries in or out of struck plant. Drivers delivering at Sears and Ward's are union members, but employed by private contract have not by the mail-order companies.

The three important union factors in the mail-order industry are C.I.O., U.R.W.D.S.E., under Samuel Wolchok, Harry Bridges' International Longshoremen's & Warehousemen's Union, C.I.O., and A.F.L.'s Teamsters. An uneasy truce has prevailed under which while the two C.I.O. units have battled bitterly within their own ranks, nobody over which should have the order plants, the A.F.L. and the C.I.O. unions refrained from raiding each other. The Teamsters have the share of unionized mail-order employees in the Northwest; Bridges has few strong locals in the industry centered over the Middle West; and Wolchok's organization, perhaps the most important, has everything else.

• **On the Defensive**—With the strongest sections in Wolchok's union, department stores and warehouses—under left-wing control, and with factionalism within the organization almost as intense as it is in the auto workers' U.R.W.D.S.E., is very much on the defensive. A.F.L.'s Building Service Workers have recently carved out a sizeable chunk of the C.I.O. union (page 10) and it is in no position to beat a determined raiding operation by a powerful organization as the Teamsters.

The Teamsters' success at Spiegel almost surely be followed by other truck driver groups moving in on mail-order plants. It is not expected they will be deterred by finding either Wolchok or Bridges representatives have been there first.

Down to the Sea

Ships ply great waters as after last-hour maritime settlement, but Bridges warns trouble to come in the fall.

American merchant marine ships are usual this week with C.I.O. crews aboard after an on-the-spot settlement of a wage dispute had threatened to erupt into a national shipping strike. The tentative-drafted agreement, which the Committee for Maritime Unity part of what it asked, left the labor relations horizon clearer than had been for many months.

Warns—One of the clouds remaining was left over from the thunderstorm which had gathered during the wage negotiations. Stormy Bridges, president of the International Longshoremen's & Warehousemen Union (C.I.O.), warned West Coast shipping operators that the U. will call upon the C.M.U. to meet it with a strike Oct. 1 unless they get an additional raise in a contract due on that date.

I.L.W.U. share in the current contract was a 22¢-an-hour raise, basic \$1.37 hourly wage. A presidential fact-finding board had recommended that amount prior to the Washington wage negotiations (BW—Jun. 1) and Bridges was unable to force the government-conducted bar-

Retroactive—The I.L.W.U. has made retroactive to last Oct. 1, the date of the union's last contract with Pacific stevedoring companies. Bearing an air of martyrdom because longshoremen won no major gains, particularly not the \$1.50 scale which he had set his sights months ago, Bridges wasted no time in letting it be known that when negotiations for a new contract are opened, probably in the fall, the \$1.50 demand will top his list and that he will expect C.M.U.

although the maritime community's solidarity was quickly expressed in (1) to start collection of a \$10,000 strike fund for such a contingency, and (2) to inaugurate "joint conferences with maritime unions of all nations" on strike reciprocity, was strong belief in maritime that any crisis with I.L.W.U. would be localized on the West Coast. **Is Apparent**—Behind that belief is an apparent division—several times as sharp words—between Joseph P. Kamp, president of the National Maritime Union (C.I.O.), and Bridges' out-right leftist maritime coworkers over

He Scores Again...



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A fabricator of stainless steel sinks and tables called in a Bauer & Black Technical Consultant for help...

PROBLEM: To protect polished stainless steel while it's stamped and bent under hydraulic pressure. The manufacturer had been using 24- to 36-inch paper tape. It worked poorly—on removal it left an adhesive residue—and pencil markings made by engineers to indicate bends came through it, scratched the metal's finish.

SOLUTION: Bauer & Black Industrial Tape No. 201—a strong, finely woven cloth tape with a firmly anchored adhesive mass, that comes off clean, eliminates cleanups. It protects highly polished steel from scratches. Engineers can mark on it without damage to the metal. Production was speeded considerably, cost was cut.



LET HIM WORK FOR YOU

A Bauer & Black Technical Consultant will be glad to look over *your* operations to help speed production, cut costs or improve your product with Industrial Tape. Many manufacturers have benefited by the service with substantial savings or speed-ups. **WRITE** Dept. 66 today to have him call; no obligation to you, of course. Ask also to have our stimulating monthly **AUTOMOTIVE NEWS LETTER**. It's free, and you'll like it! Bauer & Black, Division of The Kendall Company, 2500 South Dearborn Street, Chicago 16, Illinois.

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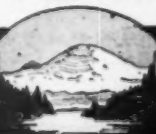
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issues during negotiations with the ship owners. The situation finally caused C.I.O.'s president, Philip Murray, to intervene personally.

Murray's backing for Curran's position and his insistence that no strike would be countenanced by C.I.O. except as a last resort were credited with restraining Bridges and averting the

tie-up. That required 24 hours. Murray, Curran, and other major union negotiators were ready to pact and call off their strike.

• **What Others Got**—Curran's side got a 40-hour week in ports; a 5% monthly increase in basic pay; over at the rate of \$1 an hour for any done on Sundays or after 48 hours.

THE LABOR ANGLE

Encouragement

Still bitter about the encouragement C.I.O.'s United Auto Workers got from economists in the Dept. of Commerce who released studies last fall which purported to show that the auto makers could grant substantial wage increases without boosting prices, the automobile industry is currently resenting what it considers another such piece of provocation.

John W. Gibson, former head of the Michigan C.I.O. Council and Truman's assistant secretary of labor, indicated, in a speech to the state C.I.O. convention made up largely of auto workers, that further pay demands were justified and inevitable. Those forces within the U.A.W. which are pressing for new wage boosts now (BW—Jun. 8 '46, p. 86), will take Gibson's statements as official government support.

Shift

Alexander Whitney, president of the independent Brotherhood of Railroad Trainmen and leader of this spring's rail strike which, he charges, was broken because President Truman sold out to the carriers, has told some C.I.O. leaders that he will recommend to his next convention that the B.R.T. affiliate with the C.I.O.

For many years, the A.F.L. has been trying to induce the independent railroad brotherhoods to join with it, but the brotherhoods have been content with a loose working arrangement that kept them cooperating with the federation's railway trades department representing most of the nonoperating employees in steam transportation. Whitney's union, however, has not been close to the A.F.L. for a half-dozen years. Whitney, himself, finds the C.I.O. more congenial. He has taken an active role in the P.A.C. and other C.I.O. activities and his move toward affiliation is a natural step. He is led to it at this time for two rea-

sons: First, he wants to induce as wide a labor group as possible to help him fight Truman's reelection; second, he wants help in beating back raiding efforts of John L. Lewis District 50 which is going after members among the trainmen.

If Whitney can swing his organization into the C.I.O., it will probably mean the end of independent unionism on the railroads. Alvanley Johnston, grand chief of the Brotherhood of Locomotive Engineers, who went along with Whitney every step of the way in the recent strike, would most certainly follow the trainmen.

But the other brotherhoods, whose chief spokesman is David Roberts, head of the Brotherhood of Locomotive Firemen & Enginemen, have had sharp differences with Whitney and Johnston in the past and their relations today must be described as cool at best. This group, representing perhaps three times as many railway employees as the Whitney Johnston combine, with its 250,000 is more A.F.L.-minded anyway, and would be inclined to counter the B.R.T. move by joining with the railroad body.

Reuther

Walter Reuther, the ambitious young president of U.A.W. who has the glory of his elevation to the office tarnished by the election of an extremely hostile left-wing majority on the union's executive board, is making progress in a grass-roots campaign to win local support away from his rivals. He has reported to his caucus that his campaigning has been sufficiently rewarding to make possible the calling of a special union convention late this year if his foes on the executive board don't stop knocking him. He would not contemplate such a move unless he thought his position had substantially improved since the last convention which voted to surround him with unfriendly board members.



More and More

ADVERTISING IN Holiday!

329 ADVERTISERS have bought space in HOLIDAY. We are proud of the many famous names—and proud of the *constantly increasing demand* for space.

Here's what is happening:

OLD ADVERTISERS are asking for increased schedules.

NEW ADVERTISERS are coming into the magazine.

MORE PAPER is available, luckily—otherwise, all advertising space in HOLIDAY would now be sold out for the remaining months of 1946.

ADVERTISERS WANT this space because HOLIDAY is read by people in the able-to-buy bracket... because these readers deliberately look to HOLIDAY for ideas on spending their leisure time *and their leisure money*.

PROOF OF THIS lies in the response, the *results*, from advertising in HOLIDAY. Testimonials from advertisers themselves say: "12,832 replies from one ad" ... "Lowest cost per inquiry ever experienced" ... "Readers a select group" ... "Larger return than from any advertising we have ever carried" ... "Have never seen anything like this in 17 years."

THIS STEADY GROWTH of advertising in HOLIDAY is based on many solid, proven facts—but they all boil down to this... *The HOLIDAY mood is a SPENDING mood!*



Holiday

A CURTIS PUBLICATION

INDEPENDENCE SQUARE
PHILADELPHIA 5, PENNA.



"Cutler-Hammer did it again"

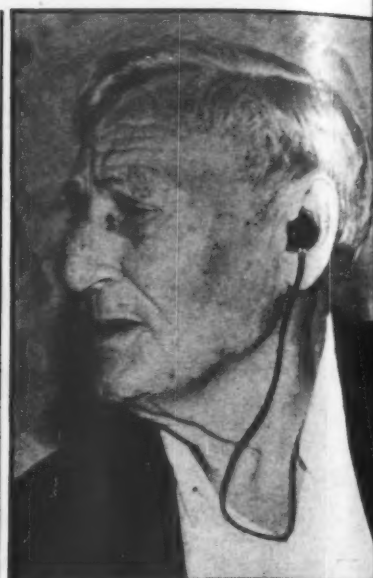
Electrical maintenance men are probably the world's toughest critics. To them, engineering features are just so many "claims" until they are proved in service. And it takes a whale of a lot of *proving* to win a nod of approval, not to mention their open admiration.

These facts make your selection of trouble-free safety switches as simple as working out a clean sweep in yesterday's races. Just ask your electrical maintenance man about the "new" Cutler-Hammer Safety Switch.

Five years ago, when this switch first appeared, he too probably had

his tongue in his cheek when we talked about "heat-proof" construction and what it meant to safety switch performance and dependability. Now he must know the answer. Ask him.

We like hard-to-convince practical men. Especially when they say, "Cutler-Hammer engineering did it again. Make mine Cutler-Hammer." CUTLER-HAMMER, Inc., 1275 St. Paul Avenue, Milwaukee 1, Wis.



ABDICATION

For more than 30 years no candidate has contested the reelection of William D. Mahon to his 52-year-old sinecure as international president of A.F.L.'s Amalgamated Assn. of Street Electric Railway & Motor Coach Employees. This week, still secure in his job but infirm at the age of 84, he told his union's national convention in Chicago that he was relinquishing the reins of office to A. D. Spradling of Cincinnati. Mahon, who was associated with Samuel Gompers in initial efforts to found the A.F.L. back in 1881, will also resign his A.F.L. vice-presidency, thus creating an opening on the executive council which, it is rumored, will be filled by a nominee of John L. Lewis.

week. Operators estimated the total increase would amount to around \$5 a month, or about 30%. Retroactive date was set as Apr. 1.

Radio operators, members of C.I.O. American Communications Assn., also will get \$17.50 a month as a raise in basic pay; arbitration of "an additional amount to preserve historic differentials"; overtime for all work performed at sea on Sundays, or after 48 hours and arbitration on other disputed issues. Lumped together, the increase again approximates \$50 monthly.

Engineers, other major bloc represented, won the provision for overtime for work done on Sundays, and a 40-hour week in port.

• **Expiration Dates**—All contracts except those of I.L.W.U. and the Mar

Engineers Beneficial Assn. (C.I.O.)
 June 15, 1947. The M.E.B.A.
 agreement is timed with that of
 W.U., ends at midnight Sept. 30.
 Agreements received the approval of
 the National Wage Stabilization Board
 with considerable concern over what
 the raise (to about 135% of the Jan. 1,
 1947, rate) would do to its wage stabiliza-
 tion program. Solution: Approval will
 be unprecedented-setting because of "the
 long hours worked and the unique as-
 pects" of the industry.

No Easy Out—Operators, looking
 back to 1947 when government opera-
 tion and rehabilitation freight loads will
 be, complained they could find no
 easy solution to their problem of
 meeting foreign competition with the
 increased costs. They predicted fewer
 American flag ships on the seas, or else
 continued federal subsidization of the
 merchant marine.

Unique Pact

**Profit-sharing agreement
 pledges union to use influence
 for wage reduction in bad years
 when dividend outlook is dim.**

Provisions for a unique profit-sharing
 agreement—unique because the union bal-
 ances it with an agreement to approve
 wage reductions in bad years—have
 been written into a new contract be-
 tween the South Atlantic Gas Co. and
 the International Union of Operating
 Engineers (A.F.L.), which has in its
 membership operating employees of the
 company in Savannah, Ga., and St.
 Augustine and Orlando, Fla.

Mutual Pledges—Proposed by H. Han-
 dilyer, company president, the
 profit-sharing provision is not a binding
 commitment but is an expression of
 mutual confidence and intent. The com-
 pany agrees to "seek approval of direct-
 ors and stockholders to [make] fair
 substantial distributions" for bonus
 payments in years where earnings are
 above a normally expected level of return
 on capital. In turn, the union agrees to
 "full influence" in bad years, or
 when the company's ability to pay divi-
 dends is seriously threatened or im-
 paired, "to persuade employees to accept
 wage reductions . . . as may fairly be
 determined by way of cooperation in any
 agreed program of retrenchment."

No-Strike Pledge—Company and union
 also exchange no-lockout and no-
 strike pledges; agreed that the company
 will have the "final decision" on selec-
 tion of employees and "full and exclusive
 control" over all business and industrial
 relations; agreed on a union shop (the
 company suggested that its unorganized
 foremen department and its foremen



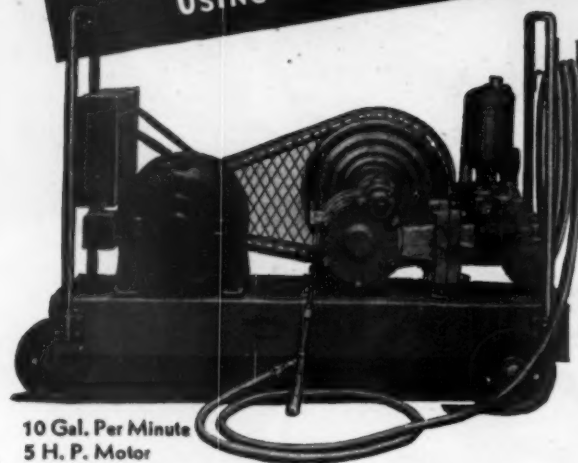
CHAIN for every need!

Your chain needs may never include a tie-out chain to keep
 Bossy where she belongs! But this is only one of the many
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Cut Your Cleaning Costs — WITH A **Farquhar** Hi-Pressure CLEANING UNIT USING HOT OR COLD WATER



10 Gal. Per Minute
5 H. P. Motor
20 Gal. Per Minute
7½ H. P. Motor

A Portable Cleaner for Every Job

SAVES TIME—SAVES LABOR

To clean all mobile or stationary equipment—walls, floors, tank, vats, conveyors, pasteurizers, storage bins, utensils, etc.—this time and labor saving cleaner has as many uses as you have different cleaning jobs—uses a high velocity jet of hot or cold water at pressures from 300 to 500 pounds to dislodge and sweep away accumulations of process refuse, residue and other debris.

Thousands of these hi-pressure pumps have been built by Farquhar and have proven efficient over years of operation. This cleaning unit will eliminate much tedious hand work without damage to delicate equipment. Operation is extremely simple; the high velocity jet can be directed to clean quickly large surfaces as well as out-of-the-way areas.

Accessory nozzle and suction equipment is available for use with concentrated cleaning solution where extreme conditions exist. Portable unit as shown; also available on a skid base without wheels for permanent installation.



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1856

NINETIETH ANNIVERSARY YEAR
A. B. FARQUHAR COMPANY

1946

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YORK, PENNSYLVANIA

should be included in the bargain unit) and on seniority rules, a check of union dues, and better sick leave and vacation privileges on a cumulative basis to 28 days' vacation after ten years.

The union demanded originally 30¢-an-hour wage increase. The company agreed to pay the union demand to a few "old and skilled employees" and to increase pay 5¢ an hour for skilled labor. Substantial difference between the two figures are provided new classifications based upon training and experience, accepted by the union. • **Subject to Scrutiny**—Attention, however, centered on the profit-sharing clause in the contract, of special significance because, as a public utility, South Atlantic Gas profits and operating costs must come under the scrutiny of the Georgia Public Service Commission. Profits are high—and presumably would then be the basis for bonus distribution to employees—it is the commission's duty to consider reducing consumption rates. The commission said that unit profits or operating costs (influenced by wage bonuses from high profits) rise to a level out of line with other utilities. Field has no objection to South Atlantic Gas new contract.

NEGROES WIN A POINT

Negro workers fighting racial discrimination within labor unions recently won two more victories, giving them the right to participate fully in affairs of the International Brotherhood of Boilermakers (A.F.L.) in California and the Brotherhood of Railway Carmen (A.F.L.) in Kansas. Although the victories were localized, to race leaders they symbolized major gains in the revolt against segregation policies followed by several A.F.L. and railroad unions.

The boilermakers union announced that in the future it will respect a California Supreme Court ruling (BV Jan. 13'45, p108) that it must accept Negro workers into full membership Auxiliary—or "Jim Crow"—organization will be abandoned in California, the brotherhood said in notices to locals.

In Kansas, the state supreme court June 3 ruled that labor union regulations cannot discriminate between races when the organization is named as a collective bargaining agent. Negro members of the Railway Carmen in the St. Fe repair shops brought suit alleging they were admitted to membership of "in separate lodges . . . under the jurisdiction of and represented by the delegate of the nearest white local," and that they had no voice in union business. They asked and won equal participation in any business that might affect the rights guaranteed them under the federal Railway Labor Act—virtually an all-inclusive hand in union affairs.

A.F.L. Triumph

Building Service Employees union continues its successful campaign for representation of Chicago's big State Street department stores.

A.F.L. Building Service Employees Local 291 chalked up another victory last week in its drive to organize Chicago's State Street department store employees under the A.F.L. banner. In a National Labor Relations Board election, more than 1,000 employees of The Fair voted 858 to 169 for the B.S.E. as their bargaining agent in preference to the C.I.O. rival, the United Retail, Wholesale & Department Store Employees with which they had formerly been affiliated. Only five voted for no union.

Success at The Fair followed a B.S.E. victory among Marshall Field & Co. warehouse employees ten days ago. At the time, the U.R.W.D.S.E. dropped out of the contest before the NLRB election. Field warehouse employees voted 105 for representation in the B.S.E. union.

New Ties—It was employees of The Fair, the Marshall Field warehouse, and the Boston Store who last December started the A.F.L. ball rolling on State Street by switching their affiliation from the U.R.W.D.S.E. to the B.S.E. union (BW—Jan. 5 '46, p93). The former C.I.O. local held contracts with The Fair and with Marshall Field & Co., but had no contract at the Boston Store. A recent C.I.O. petition to have a B.S.E.-Boston Store contract declared illegal was denied by the regional NLRB. An appeal is pending in Washington. Since the change in affiliations, C.I.O. attempts to evict Local 291 from its Chicago offices have been turned down by the courts.

Targets—Next goal in the A.F.L. campaign drive is Goldblatt Bros' big State Street store, now unorganized. Local 291 last week filed with NLRB a request for an election at Goldblatt's. Hearings are expected to start in the near future.

Meanwhile the union, in negotiations for new contracts at The Fair and the Boston Store, is asking wage adjustments, a five-day week, and discontinuance of Monday evening work. Present contracts expire late this month.

Marshall Field & Co. and Mandel Bros., recently inaugurated the five-day week for all their employees (BW—May 14 '46, p98). Marshall Field & Co. also signed a contract with B.S.E. Local 242, which represents the company's non-union employees. The contract included wage increases as well as the shorter work week.



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PROGRESS**

To slide rule and formulae add catalytic force...the foresight and experience of the design engineer. Here's a proved *prescription for progress*...Industry's elixir for improvements to come.

In the manufacture of industrial power links, this same combination of foresight and experience determines gains to be made.

For 28 years now, the manufacturers of Twin Disc Clutches and Hydraulic Drives have stressed experience...emphasized research...at the same time looked and worked ahead to meet changing power re-

quirements with *proved power links*. As a result of this far-sighted policy have come improvements in the transmission and control of power...important additions to the diversified line of Twin Disc Clutches and Hydraulic Drives.

If the vital connection between driving and driven units is a problem in your equipment, take advantage now of recommendations by Twin Disc Engineers. Their long experience and advanced approach are your best assurance of profitable advice. Write today.

TWIN DISC CLUTCH CO., Racine, Wisconsin
Hydraulic Division, Rockford, Illinois

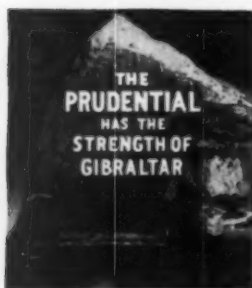




THE MACHINE WITH A MILLION DEPENDENTS

Millions of punctual payments are made by Prudential to people all over the country. There are annuity checks that bring comforting security. There are income checks from the proceeds of insurance which are the foundation of financial independence for many families. There are dividend checks, interest checks, thousands of checks every day!

This small machine is one of the many amazing devices that helps speed the efficient handling of all Prudential payments. All it does is sign checks, checks, checks. It is capable of placing official signatures on 10,000 checks an hour.



It is Prudential's goal to pay every obligation with the greatest possible speed. In its small way, this check signing machine plays an important role in the lives of the increasing millions of policyholders who look first to Prudential. The Prudential Insurance Company of America, Newark, N. J.

Paid Arbitration

Free service discontinued by conciliation office. Fees to be charged in future by those who dispose of grievances.

The value of settling day-to-day labor-management grievances by mutual agreement is recognized by the U. S. Conciliation Service in discontinuing its practice of making arbitrators available free of charge.

In dissolving its full-time staff of twelve arbitrators, who received from \$5,000 to \$6,200 a year, the Conciliation Service followed the unanimous recommendation of its labor-management advisory committee created last year's labor-management conference.

• **Warren's Reasons**—Chief Conciliator Edgar L. Warren set down four reasons for discontinuing free arbitration:

(1) Free arbitration service was instituted to foster arbitration as the normal step in grievance machinery. The principle is now firmly established, and "it is time to begin to perfect it as an instrument in the development of peaceful industrial relations."

(2) Cost of arbitration will tend to discourage "passing the buck" and bring about more agreements.

(3) The government is unable to provide free arbitration service to all who might want it.

(4) There is a need for attracting and retaining highly qualified persons who will spend all or a major part of their time in arbitration work.

• **Fulfilling Contracts**—The government will fulfill its obligations where existing contracts provide for settlement of grievances by an arbitrator of the Conciliation Service, but it expects these contracts to be changed when renewed.

The Conciliation Service, when requested, will appoint arbitrators who will serve on a fee basis. It will expect the arbitrators to charge fees ranging from \$50 to \$100 a day, plus actual expenses, unless there is an agreement to the contrary.

Arbitrators appointed will be required to report pertinent information regarding the fee to the Conciliation Service Arbitration Division, of which Samuel Wallen, former chairman of the National England regional war labor board, is acting director.

• **Many Decisions**—In the past nine years, Conciliation Service arbitrators have handed down 5,137 awards involving 1,245,718 workers. The greatest number were during the war years, when more than 1,000 decisions were made each of the three years from June, 1942 to June, 1945.

The labor-management advisory com-

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has also requested the parties to collective bargaining agreements to file copies of the pacts with the Bureau of Labor Statistics as a means of increasing the value of research done by its industrial relations branch. BLS has about 1000 agreements on file, but would like to get more. A little-noticed section of the vetoed Case bill provided that the Bureau should keep a file, open to public inspection, of union contracts.

turb on U.P.W.A.

Congress putting riders in appropriation bills which will deny pay to members of a group claiming right to strike.

The federal government's lack of a policy for dealing with its own employees is emphasized by the current disposition of Congress to deny pay to government workers who belong to an organization that asserts the right to strike.

By attaching riders to that effect to appropriation bills Congress is accomplishing by indirect means what it appears unwilling to do in direct fashion. **Some Do Strike**—Unions composed exclusively of government employees have generally waived the right to strike. On the other hand, there are printers, machinists, and other craftsmen working for the government whose unions retain the right to strike.

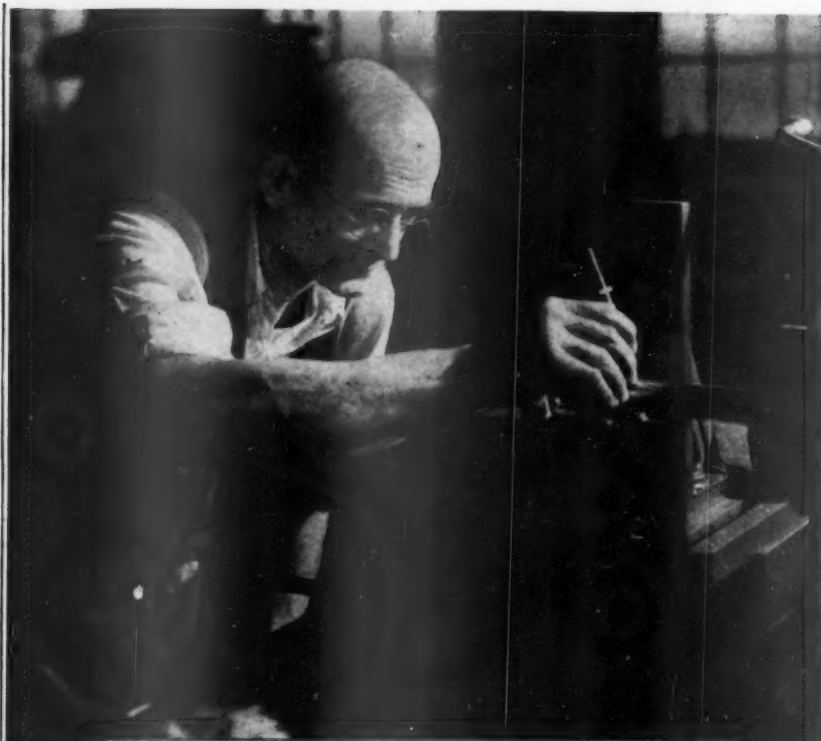
President Truman, at a press conference on May 2, said that if government employees should strike the government would cease to exist.

It is no secret in Washington that Congress is aiming its guns at the growing United Public Workers of America, C.I.O., which grew out of a merger of two C.I.O. unions—United Federal Workers and State, County & Municipal Workers.

Door Left Open—In its constitution, the new union retained from the S. C. M. W. constitution a provision that all unions may not strike until authorized by the international president. This leaves the door open to strikes against the government.

If the Agriculture Dept. appropriation bill comes out of joint Senate-house conference committee without major alteration, the department will be required to seek affidavits from all its employees stating that they do not belong to an organization which claims the right to strike. It may not pay wages to anyone who does not sign the affidavit. Similar riders are being attached to appropriations for other government agencies and departments.

A.F.L. Renouncement—The A.F.L. is not greatly concerned because its



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Famous Tool Room"
?**

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Today, as in the past, T-P master toolmakers can provide you with anything from a single jig to complete tool and gage set-ups for the most complex products of any type. And when you receive your T-P tools, they will require no fixing up, no grooming—*nothing*, except to be put to work immediately. For the full picture of Taft-Peirce Tool Room Service, write to: The Taft-Peirce Mfg. Co., Woonsocket, R. I.



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COMMAND PERFORMANCE FOR THE OLD MUSIC MASTER

James C. Petrillo, president of A.F.L.'s American Federation of Musicians, the only labor leader honored by having a federal statute (the Lea Act) enacted to curb his bargaining power, begins what promises to be a lengthy litigation operation. Object: to have the U. S. Supreme Court pass on the act's constitutionality (BW—Jun. 8'46, p89). Petrillo (left) appeared in federal court, Chicago on charges of violating the act through ordering a strike at Chicago's radio station WAAF to coerce the broadcaster to employ more than the necessary number of musicians. This first step in Petrillo's journey to the high court was made as the result of an information lodged against him by J. Albert Woll (right), federal district attorney, son of Matthew Woll, an A.F.L. vice president and stalwart Petrillo supporter.

members among postal employees and American Federation of Government Employees, rival of U.P.W.A., have renounced the strike weapon.

C.I.O. President Philip Murray charged that the appropriation riders would encourage "witch-hunts" among federal workers.

U.P.W.A., fearing the effect of the riders on its 30,000 members in federal service, is convening its executive committee. It can't revise its constitution, but it does hope to be able to circumvent congressional objections by announcing that strikes in the federal government will not be approved by the union.

• Counterproposal—At the same time, U.P.W.A. has its own ideas of riders. It would like to have pay denied to any federal supervisors who refuse (1) to make an honest attempt to settle employee grievances, or (2) to meet with union representatives.

President Truman is in no position to veto the appropriation bills because of the riders. He has taken a stand opposing strikes against the government. Besides, the agencies need the money to operate after June 30.

P.S.

A National Labor Relations Board order that Brown & Sharpe Mfg. Co. (Providence, R. I.) time-study men should be permitted to vote on representation by A.F.L.'s Federation of Technical Engineers, Architects, Draftsmen has stirred new debate with NLRB. As in recent foremen cases (BW—May 18'46, p95), board member Gerald D. Reilly, soon to retire (page 80), protested strongly against subjecting "the discipline of the same parent organization" both employees who represent management in the conduct of the studies and workers covered by the findings.

Seizure powers of the State of New Jersey in cases where public welfare threatened by utilities stoppages (BW Apr. 6'46, p98) were invoked this week to prevent interruption of service when members of an independent union quit work at the Paterson (N. J.) Public Service gas works. As supervisory employees maintained operations, state seizure papers were drawn up and served. Strikers immediately returned to jobs, assuming grievances will be arbitrated.

THE INTERNATIONAL OUTLOOK

BUSINESS WEEK

MAY 22, 1946



Watch the trend of international negotiations closely during the next few weeks, for long-term policies are being set which will have a profound influence on business.

It is already clear that nothing is going to be accomplished at the Paris peace talks which will break the world's relentless swing toward a two-bloc system—Russia vs. the western powers (BW—May 25 '46, p107).

If Byrnes and Molotov manage to avoid an open breach, it will mean that Moscow has resolved to yield a minimum of concessions in return for badly needed economic and technical aid in rehabilitating Soviet industry.

If a showdown is precipitated, Byrnes is prepared to carry out his threat of inviting 21 nations to confer and accept with modifications whatever peace terms the western powers propose.

But either way, the world during the next ten years will develop into two blocs—one led by Washington, and the other by Moscow.

The stand of each bloc on major international issues is already clear: Eastern Europe—despite bitter western protests against delayed Romanian elections, and against totalitarian trade schemes instituted by the Russians—will come solidly under Soviet influence.

Trieste—though probably to be internationalized in the immediate future as a compromise to both sides—almost certainly will come under the full political and economic domination of Yugoslavia within five years.

In the case of Palestine, Moscow is likely to remain well in the background in the immediate future.

But if, as expected, present disorders turn into large-scale civil war between Arabs and Jews, the Soviet Union will be ready to play for any advantage.

The Soviet foreign office has newly established legations at key points throughout the Arab world, well staffed with experts who keep Moscow informed daily of all new developments.

In the West, however, Moscow has suffered major diplomatic setbacks. Despite French bitterness toward Spain, don't look for Washington and London to yield to Russian demands to get rid of Franco immediately.

Because of the disorder likely to follow any precipitous move, that would be playing into the hands of the Communists.

Instead, the western powers can be expected to exert a slow but relentless pressure on undesirable practices of the Falangist regime in Spain.

No longer able to circumvent these pressures by turning to a friendly Italy and Germany, Franco will probably find it impossible to remain in power for long.

Washington and London are determined to maneuver this shift of regime in Madrid gradually.

In Latin America, despite recent Soviet aggressiveness in both the diplomatic and economic fields, you can assume that Britain and the U. S. will soon swing into more effective action than they have displayed in the recent past.

London will push the initiative in Argentina where Britain has closer

THE INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
JUNE 22, 1946

trade ties and a record of more astute diplomatic jockeying during the war.

A British mission will leave for Buenos Aires next week, fully empowered to negotiate a settlement of blocked sterling balances by:

- (1) Liquidating extensive British holdings in Argentine railroads, or
- (2) Funding the debt and setting the stage for enlarged two-way trade on a scale too tempting for Argentina to refuse.

•
The U. S. will concentrate its efforts on countries farther north—particularly on Mexico, Venezuela, and Brazil.

Rio de Janeiro will be the scene of the important hemisphere conference (probably in September) at which Washington hopes to sell all Latin America on the idea of coordinated and standardized defense equipment and training.

Air and ship communications with all Latin-American countries will be speeded (BW—Jun. 15'46, p40).

•
Moscow's greed in stripping Manchuria of machinery (now confirmed by the Pauley mission) may yet redound to China's benefit.

Japan was known to have an inventory of more than 1,000,000 machine tools when the war ended—at least half of which were expected to be turned over to allies seeking reparations.

It is now admitted in Tokyo that most of these are in poor condition—either because they are badly worn from hard war usage, or because they have been left unprotected from the weather in bombed-out plants.

Sudden hope of China and the Philippines, both of which have been avidly demanding these spoils of war, is that Japan will be forced to build new machines to specification.

In any such program, the gaps left in Manchuria's factories by Russia's greedy grab will get top priority.

•
Mark down the new French-American tax agreement, negotiated separately from the American loan to France, as another sign of the Fourth Republic's gradual turn toward the West.

Under the new draft agreement:

U. S. film companies and others with no permanent establishments in France are assured that their royalties will not be taxed;

American firms with permanent facilities in France will benefit from various concessions, including exemption of "frozen" and new holdings from the enrichment tax;

American business staffs will receive special deductions from French income tax liabilities.

•
Note for textile manufacturers and exporters:

(1) Write off the threat that Europe is going to flood this market with textiles (especially cotton). Present slight import bulge is temporary. Europe can't meet U.S. prices once full-scale peacetime production is resumed here.

(2) According to the official London report, following a government survey, Britain's cotton textile industry is washed up as a major contender for world markets.

(3) Watch Brazil inch itself into top position as textile supplier to all neighboring Latin-American countries. When present cost-cutting techniques are fully installed, Brazil may even become a major bidder for quality markets much farther afield.

BUSINESS ABROAD

France Maps U. S. Purchases

American share of capital goods orders under French reconstruction program may exceed \$1 billion. Heavy buying of foods, fuels, and materials also scheduled. Import controls to be relaxed.

France is due to become one of America's biggest customers, now that Paris has arranged its chief sources of credit and is ready to push its five-year plan for reconstruction and modernization of the French economy.

Conclusion, a fortnight ago, of financial agreements with the U. S. involving \$1,400,000,000 was a keystone in the plan's financial foundation. The \$500-million requested from the world bank will nearly balance the country's international accounts.

U. S. Share—The reconstruction plan, drafted by Jean Monnet as head of the Commissariat du Plan de Modernisation et d'Equipe, will involve imports between 1946 and 1949 of capital goods valued at \$1,600,000,000. The U. S. share will probably top \$1 billion.

At the same time, France must import nearly \$8 billion in foodstuffs, fuels, raw and semi-finished materials, and a medley of manufactured goods. The United States' share in this trade will be nearly \$3 billion.

The volume of French imports during the next four years will be below pre-war, but in value (in 1946 dollars) will exceed the 1934-37 average by more than 50%.

Two Categories—Because the Monnet Plan is a national reconstruction program, the state will play an important role in its execution. American business can expect official buying to continue indefinitely in certain lines.

Although these import programs span the four years 1946-49, capital goods orders are being placed now for early delivery and will probably taper off after next year. Nonequipment orders are set at about \$2 billion a year.

Goals—The import programs are interlocked with the Monnet Plan, calling for an expansion of French national production to 1929 levels and 25% beyond by the end of 1950. Only by such a forward surge can France get into the black and begin paying off its debts by 1951. And its progress is contingent upon the steadily expanding world economy premised in current United Nations economic plans.

Specific French goals include a doubling of 1938 steel capacity to 12,000,000 metric tons; an increase in domestic coal production to 65,000,000

metric tons (40% above 1938); and a rise in hydroelectric power production from a level late last year of 10,000,000,000 kwh. to 21,380,000,000 kwh. at the end of 1950. (Hydro power production in 1935 amounted to 8,164,000,000 kwh.)

Flexibility—To achieve these goals in an orderly manner, France has elaborated domestic reconstruction and expansion plans and key import targets. But these schedules are fluid, for more than one reason. French buyers are watching price inflation in this country carefully. At the same time, U. S. industrial strife has backed up orders, and some might be placed elsewhere if delivery seems more certain. Since some buying is tied to specific expansions in related French industry, one bottleneck can create another, affecting import schedules. Also, French industry has already put in a bid to produce some goods that were slated for manufacture abroad.

Finally, the U. S. purchase program is in flux to an important degree (about \$650 million) because detailed purchase lists have not had final approval of the Export-Import Bank. With some required goods in short supply, the Civilian Production Administration must be called upon for allocations.

For Self-Help—With these qualifications admitted, it is still possible to examine French plans as they stand today. Top priority goes to equipment orders, to put French industry in a position to help itself to new production levels. With \$1,600,000,000 to spend, and about \$1 billion slated for the U. S. market, the French expect to spend about \$300 million in the United Kingdom, \$150 million in Canada, and the rest among European neutrals and neighbors.

Fuel is the fulcrum on which all French economy turns and upon which recovery depends. France will spend \$220 million on capital goods for the coal mining, petroleum refining, and electric power industries.

Mining Equipment—Two-thirds of a \$60 million coal mining equipment order will be placed in the U. S., as well as 80% of the \$60 million that is to be spent on refinery equipment. Imports of equipment for the production and distribution of electricity will amount to \$100 million, and as much as \$65 million may come from the U. S.

American plants will produce \$100-million worth of equipment for the French steel industry, out of total im-



UNFINISHED BUSINESS FORGES AHEAD

Drillers in London's underground railway extension (above), on which war-interrupted work is being resumed, are evidence that in the slow transition from war to peacetime operation, transportation still has a high priority. During the war, sections of the tunnel that were nearly completed housed a subterranean aircraft factory. Now the tracks are being cleared for final construction. Some portions of the tunnel should be in use by the year's end.

Atlantic Air Fare Cut

The North Atlantic Rate Conference of the International Air Transport Assn.—consisting of the three U.S. and four foreign lines flying the Atlantic—announced last week that rates would be cut 12½% on June 25. The action is based on the expectation that there will be 100 flights weekly by the end of the year, with an average of 500 seats open to Europe every day.

• The cuts, which must be O.K.'d by the Civil Aeronautics Board and the British, French, and Canadian governments, were set on the basis of cost submitted by each line. They follow CAB disapproval of rates set by the conference in March, admittedly on guesswork, when U. S. lines were scored for failure to press for greater reductions. The new table cuts New York-London, for instance, from \$375 (the March rate) to \$325.

The cuts will affect travel little, however, for customers are storming the airlines even at the old rates. Example: TWA's Cairo run is booked solid until November.

ports amounting to about \$120 million.

Expansion of the French building materials and construction industry will require imports of \$80 million; the American share will amount to about \$55 million.

• **Machine Tools**—Orders for machine tools and other capital equipment for the metal industries will total \$200 million, and U.S. suppliers should get contracts for \$150 million.

Spending on expansion and replacement of textile equipment is tentatively set at about \$60 million, of which only \$10 million is for American machines. But shifting plans may call for doubling this category, with a larger share to be spent in the U. S.

Agriculture is to be mechanized by sizable expenditures on farm implements and expansion of farm tool production facilities. Of \$150 million imports of such goods, \$120 million will come from the U. S.

• **Transport Orders**—Transportation facilities will be improved by expenditures of \$510 million. The United States' share of rail equipment orders is to be \$80 million out of \$130 million; of air transport equipment, \$90 million out of \$100 million; of river transport equipment, \$10 million out of \$40 million; and \$110 million of a total of \$240 million to be spent on rebuilding the French merchant fleet.

France will spend \$230 million (two-

thirds in the U. S.) on equipment to stimulate production in the colonies, important sources of iron, food, wines, fish, and fertilizers. Purchases will include mining equipment, farm implements, and cannery facilities.

• **First Necessity**—Fuel comprises more than half the volume and from 10% to 20% of the value of the four-year, \$8 billion import program for goods other than capital equipment. In 1946, the U. S. is a vital source of coal (at heavy cost per ton), but after this year Britain and Germany will carry the load. France expects to buy an average of about \$60 million a year of petroleum and products.

The Monnet Plan is a national plan, but so far, the Commissariat du Plan, although responsible to the president, lacks authority over the ministries detailed to carry out the plan. At times the party battle raging in France is reflected in the rivalries of the ministers who represent the factions involved. It has been freely predicted that the trend toward nationalization of industry and centralism in government could easily be spurred by continued fighting among the separate ministries at the expense of the national plan.

• **Private vs. State Trade**—This has a direct bearing upon the future relations of American businessmen and French traders—private and official.

Although France is committed to liberal economic policies and a return of trade to private channels by the terms of the recent credit agreements, there are two loopholes permitting opposite trends: (1) agreement that buying for public corporations or agencies may be by government; and (2) continuance of associations of private traders ("groupements") to place unified orders while difficulties of movement and allocation exist in France.

Today, about 65% of French buying is in government hands, but the objective is to reduce this share to 30% next year or the year after.

• **Government Area**—The government will continue buying food and lumber because these items are still government-allocated and in short world supply. Steel purchases will be made by government because France was not previously a steel importer, and there are no "normal channels" to return to. Buying for the railroads and utilities—public companies—will be done by government. If there is more nationalization there will be more government buying.

Applying these criteria against the tentative capital equipment shopping list, it would appear that more than 50% of the \$1,600,000,000 order will be government-procured.

• **Decontrol Problem**—Nevertheless, the French Supply Council has set a liquidation scheme in train, and protests are already being made in France against

relaxing protective controls. Import licensing will continue, but only so long as currency scarcities compel it.

The "groupements" set up to manage domestic allocation of hard-to-get imports are not singleminded on the question of liquidation. Some members have been protected from withering competition by adherence to prewar supply quotas, while others have been inhibited. These associations are expected to die from internal disorders, but of the existing "groupements"—for importing drug synthetics, metals, wool, cotton, petroleum, and coal—the last to go will be those in the short-supply fields where allocation is important.

• **Outlook**—French businessmen are optimistic about their country's industrial future but troubled by its unsettled politics. They know, too, that the future scope of the private sector in the economy and of freedom of opportunity will depend upon the success of their plan and the part France is able to play in a general expansion of world trade and employment.

Australian Car?

Several companies would meet challenge to produce an all-commonwealth auto within two years after war's end.

Led by General Motors-Holdens Ltd., subsidiary of G.M., Ltd., at least five auto manufacturers are hard at work trying to meet the challenge of the Australian government to produce an "All-Australian" auto within two years after the end of the war (BW—Jul. 24 '45, p. 114).

• **Entirely New Design**—G.M.-Holdens is preparing an entirely new auto, while other manufacturers appear to be concentrating on producing copies of models built abroad. Larger than popular British cars, but smaller than G.M.'s Chevrolet, the G.M.-Holdens "working test model" now is being put through a 60,000-mi. road test. G.M. sources in this country say it will be subject to extensive redesign before going into production, probably in about 18 months. So far, about \$2,260,000 has been spent in engineering and design.

Rootes, Ltd., manufacturer of the English Humber, Hillman, and Sunbeam-Talbot, has purchased a former tank factory at Melbourne where it will build those autos with almost 100% Australian labor and as much material from Australian sources as possible.

• **Assembly Planned**—Standard Cars Ltd., English firm, will build a \$162,500 assembly plant at Melbourne as part of an expansion program, and intends to assemble chassis imported from the

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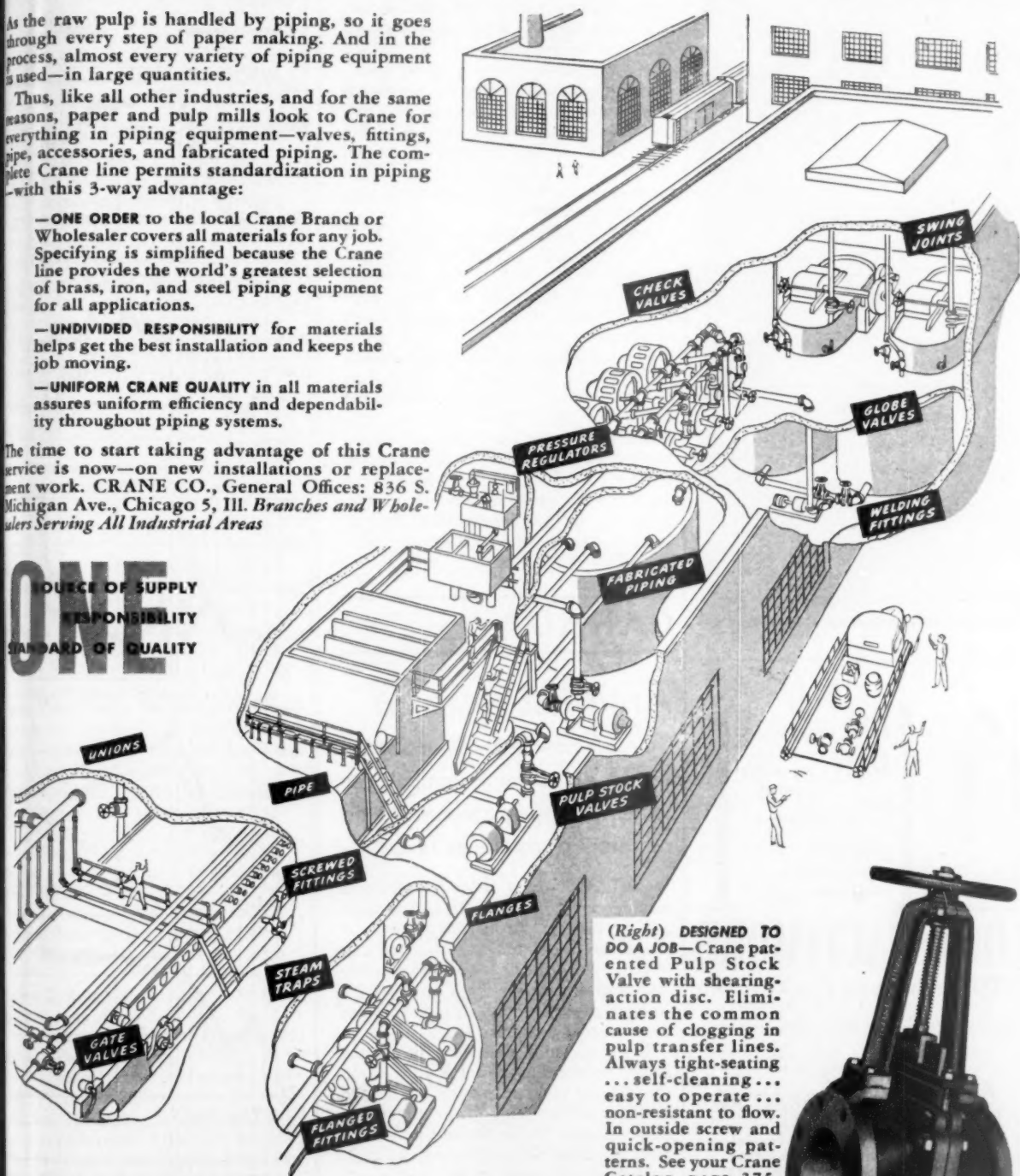
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English Standard Co. and bodies built by an Australian firm at Adelaide.

Extensive plans have been announced by the Nuffield organization, maker of the English Morris. Balked in an effort to build a new \$3,250,000 plant at Sidney (Lord Nuffield bought the Victoria Park race course there but the Sidney Turf Club refused to give up its lease), it will produce bodies in former munitions works in South Australia and will build a large assembly plant in either New South Wales or South Australia. Lord Nuffield has announced he will be producing an "All-Australian" Morris by January, 1947.

Another well-established firm, Ford Co. of Australia, has one of the largest automobile factories in the Commonwealth at Geelong, 45 mi. from Melbourne, where it employs about 2,000 at present.

• **Limited Market**—U. S. manufacturers are watching the situation with a great deal of interest, for, despite Australian enthusiasm for a "home" industry, it is doubtful whether the relatively limited market (estimated at 80,000-100,000 units a year, 25% of them trucks) can support many producers. In such a situation, they feel, it still would be cheaper to assemble an auto in Australia, after importing the chassis.

CANADA

Antitrust Reform

Bill now before the Senate would empower commissioner to act vigorously against all who run afoul of combines law.

OTTAWA—In a move to reinforce machinery for checking trade restraints and to prepare for participation in a world agreement for regulation of cartels, the government is proposing extensive amendments to the Combines Investigation Act, Canadian equivalent of the Sherman Antitrust Act.

If the amending bill now before the Senate becomes law, Fred A. McGregor, who has for years been breaking up and checking on combines in the capacity of commissioner under the act, will have more power to act on his own and without complaint, power to maintain a continuous check on monopolistic conditions arising out of the operation of international cartels, and power to delegate his authority to deputies so that he will have staff for a number of different investigations at one time.

• **McGregor's Own**—The new scheme is McGregor's own choice. It is based on the report drawn up by himself and a

TREND OF BUSINESS CANADA AND U.S.A.

1935-39 = 100

CANADA — U.S.



advisers and presented to the cabinet last year (BW—Nov. 17 '45, p. 22). He then charged with making recommendations to serve as a basis of government policy in regard to the internal agreement proposed by the U. S. clothing the Combines Commission with powers to enforce provisions of the criminal law on conspiracy in restraint of trade and certain other cases dealing with unfair trade practices. The amendments tend to remove the conflict of policy on trade combinations. These powers formerly belonged to the Dominion Trade & Industry Commission, which has the same personnel as the Tariff Board.

Matter of History—The commission created following a lengthy parliamentary investigation into price spreads during the early period of the depression. While the older Combines Investigation organization had as its job the regulation of trade combinations aimed at raising prices in any form, the Dominion Trade & Industry Commission was given power to approve certain trade agreements which it found to be in the public interest from the point of view of stabilizing prices and markets.

At the time of the creation of the commission, McGregor's power to conduct investigations on his own was reduced. He was not permitted to investigate a situation except on instructions from the Minister of Labor or on the recommendation of six persons.

Power to Act—Now, as he recommended in his report, he will be free to act whenever he has reason to believe that a combine exists or is being formed.

So important to his independent functioning and to a probable exchange of information on the operation of international cartels is the specific authority to be vested in him "to compile information and make studies concerning the existence in Canada of monopolistic conditions arising from the operation of international cartels or other combinations."

Foreign Control—For the carrying out of another recommendation in the report, the compiling of up-to-date information on the degree of financial control over Canadian companies exercised by parent companies outside, the administration proposes to rely on the Dominion Bureau of Statistics. In his report, McGregor found foreign control sometimes imposed limitations on the success of Canadian companies in international markets.

Abuse of patent rights, found by the commission to be a means of restricting trade, is dealt with by giving the Exchequer the power to review and alter rights in any patent on application of the Attorney General of Canada when it is shown that rights have been used to the detriment of the public.

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THE MARKETS

(FINANCE SECTION—PA

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	177.4	178.6	179.5	145.4
Railroad	66.9	65.7	64.1	59.0
Utility	94.1	95.0	94.0	70.0
Bonds				
Industrial	124.4	123.9	123.8	122.2
Railroad	118.9	118.9	118.4	115.6
Utility	116.1	116.0	116.0	117.0

Data: Standard & Poor's Corp.

Market Edgy—and Thin

The closing days of last week saw the stock market turn in a much more satisfactory performance than it did in the first half. Thursday, for example, witnessed a fair-sized rally. This was spearheaded by the hitherto laggard rails, and their strength proved sufficient to send the Dow-Jones rail stock price average, one of Wall Street's favorite market barometers, to a brand-new 1942-47 bull market high.

• **Not Too Impressive**—However, the market's firming proclivities on Thursday didn't turn out to be very impressive when subjected to some scrutiny. The new rail high, for example, was only slightly above the peak that group had previously established last February. The rail rally proved to be only a one-day affair.

Thus the rails' break-through has since caused little excitement even though market technicians had earlier predicted that such a feat, following the recent attainment of a similar new peak

by the industrial average, would that the bull market was again flower.

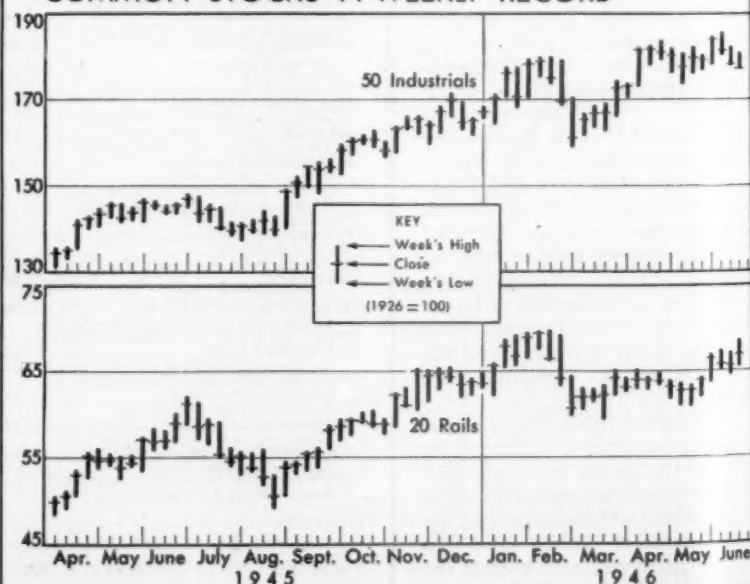
Instead, more market participants have been disposing of stocks than buying them since last Thursday's upswing. This trend, also, has taken the stock market quite violent last hour selling. This was particularly true on Tuesday of this week. On that occasion, the stimulus of a flood of selling, which produced almost 40% of the day's total trading activity on the exchange in the last hour, stock prices suffered one of their widest breaks in four months.

• **Several New Lows**—Tuesday's minute sell-off wasn't concentrated only a few stocks. Losses of \$1 were widely scattered and disclosed many of the market's traditional leaders. When the carnage was over, only 110 of the 1,026 different stocks changing hands could boast of gains, and 26 new 1946 lows had been recorded.

On Wednesday the rails turned in a better performance than the day before since they at least held their own in the closing. However, at almost Tuesday's rate, 212 advances were noticeable in the midweek trading closed, against 212 declines, and 35 additional new lows were chalked up.

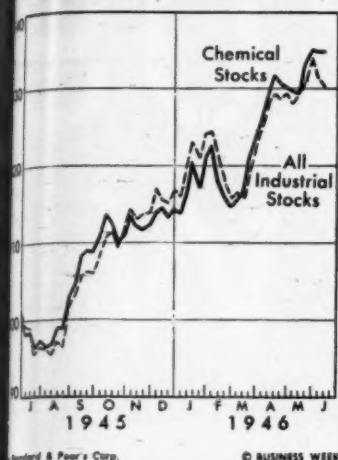
Wall Street ascribes this week's weakness to various factors. Technicians, for example, claim that the rail rally, through, as has happened before

COMMON STOCKS—A WEEKLY RECORD



Data: Standard & Poor's Corp.

HOLDING THE GAIN



ent bull market when one average later confirmed another's earlier ad-
er, touched off a desire to cash in on
paper profits available.

accentuating this trend where rail
is concerned, they report, are
rumors flooding the Street indicat-
that the Interstate Commerce Com-
mission now has no intention of grant-
any rise in freight rates until the
Supreme Court rules on the class rate
on which it recently issued a 60-
day stay (BW-Jun. 15'46,p.7).

agreed on One Point—Other Wall
Streeters think the weakness is being
aid mainly by the sales of traders
encouraged finally over the business
book, because of uncertainties con-
cerning the extent of future price and
control policies, and fearful about some
of the second quarter operating results
to be released.

all the Street is united, however, on
one point. They say the thinness of
market is greatly magnifying
moves, and they are wondering if the
recent appearance of drastic drops on
sales of but a small amount of stock
will not have a tendency to increase
the desire to cash in on profits.

Current "Street" Favorite

The chemical stocks' postwar price
performance hasn't been spectacular.
Many other industrials have shown
much more pep, and in comparison
with the high-flying drug shares (BW-
Jun. 18'46,p.119), they would seem to
be acted quite poorly.

Actually, however, the chemicals have
done at all badly. Their trend since
V-J Day has matched that of the over-
all industrial average. They have re-
sisted better-than-average staying power
recently (chart). And Wall Street has
to regret having decided some time
ago to recommend many of the chemi-
cal group to clients as being among
the more attractive industrials available

for both near and long-term holding.
• **No War Baby**—In the years that fol-
lowed Pearl Harbor, the chemical in-
dustry proved no war baby even though
its output did skyrocket then. Unlike
many trades, its wartime profits never
were accentuated either by absence of
competition or by higher selling prices.

Instead, chemical prices hung around
their prewar levels. Operating costs rose,
and the trade's gross profits proved most
vulnerable to taxes and renegotiation.
Even in 1944, the last full war year,
earnings of 20 leading chemical com-
panies actually proved less, after taxes
and reserves, than those of such prewar
years as 1936, 1937, and 1939.

• **What Has Happened**—Since V-J Day,
due to the loss of war orders, reconver-
sion, and strikes, production has been
running well under year-earlier levels.
This drop, however, has been less than
the industry earlier had expected. And
it has shown signs of flattening out
lately, and sales haven't revealed the
sharp retreat output has.

Due to the industry's wartime tax
vulnerability, recent erasure of the ex-
cess profits levy has proved most bene-
ficial to the trade. Wall Street, in par-
ticular, doesn't think the importance of
this factor should be underestimated in
gaging future earnings. This very defi-
nitely accounts for much of the Street's
current bullishness with respect to the
chemical shares.

• **Large Gains Reported**—As confirma-
tion of their opinion, the pro-chemical
traders point to the many large gains al-
ready reported in 1946 earnings despite
sales volumes that are well under 1945
levels. Monsanto's net income in the
recent March quarter, for example, ran
108% ahead of 1945, though volume
was off 4%. Du Pont's sales then were
down 10%, but profits were up 54%.
Hercules Powder earned 19% more on
19% less volume.

For a time, the industry may be ham-
pered somewhat by less-than-normal
profit margins resulting from higher
overhead costs, strikes, and material
shortages. Higher wages may be seen
also but this isn't as important a factor
as with many industries, since such costs
absorb only some 15% of each sales dol-
lar, a below-average percentage.

• **Prospects**—With the war over, main-
tenance, depreciation, and amortization
charges can be sharply lowered. There-
fore, once today's industrial turmoil
ceases and the road ahead contains only
normal hazards, postwar profit margins
should widen materially.

Most comforting to those who are
now bullish on the chemical stocks are
the industry's own near-term expansion
plans. Recently it was expected that
some \$800,000,000 would be spent by
the trade in 1946 for new plants and
equipment, and enlargement of present
facilities.

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This means that the
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And now...pre-war, real
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AMERICAN LEAD PENCIL COMPANY

THE TREND

TRUMAN DEFEATS HIS OWN LABOR POLICY

By his veto of the Case bill and his simultaneous pleading for the passage of his Emergency Strike Control bill, President Truman preserved the perfection of his record in defeating his own prescription of the proper policy to be followed in handling labor relations.

Immediately after V-J Day, in the course of dismantling the National War Labor Board, the President said, "We must look to collective bargaining, aided and supplemented by a truly effective system of conciliation and voluntary arbitration, as the best and most democratic method of maintaining sound industrial relations."

• The President proceeded forthwith, however, to belie his words by his deeds. First off, after urging wage increases, he appointed so-called fact-finding boards to prescribe suitable settlements for a number of strikes to enforce wage demands. Thus he undercut collective bargaining by offering those who did not like its results another chance to get what they wanted through government pressure. If this were not devastating enough to his announced policy, the President then entered directly into the wage-adjusting business, and personally prescribed what seemed to him a suitable wage increase for members of the C.I.O. steel workers union. This move delivered another terrific blow to collective bargaining by saying, in effect, "If you don't get what you want in collective bargaining, come direct to the White House."

It was in large measure, and perhaps primarily, as a result of this colossally ill-advised venture into the business of wage determination that strike havoc reached a pitch where the President felt compelled to call Congress into emergency session and ask for unprecedented emergency powers to deal with it. With the exception of the power to use a military draft to break strikes, which we think the Senate wisely deleted from the Emergency Strike Control bill, it is not clear that the powers he sought were out of proportion to the crisis involved. Although abated, it is not clear that the crisis is over.

• It is entirely clear, however, that extension of the powers sought by the President to cope with the crisis would extend further the federal government's undercutting of collective bargaining in the rather flexible collection of industries covered—those, in the terms of the Senate bill, "vitally necessary to the maintenance of public health and security and the national economy." For six months after the President proclaims the cessation of hostilities the power of the federal government to seize struck industries of the sort covered and set wages for them would be continued. Penalties such as the loss of their rights under the Wagner Act would be imposed upon workers not returning to work for the government on the terms prescribed.

Examined in a vacuum that would look like strong

medicine. And the penalties for not going back to work in an industry being operated by the government after seizure are actually formidable. However, the seizure would be done by an administration which, as recent as the coal strike settlement, has demonstrated that it is a pushover for wage increases. Thus, of itself, the arrangement for seizure, which the emergency legislation would extend, must seem to union leaders in the industry covered an easy route to more than they can get in collective bargaining, with that "best and most democratic method of maintaining sound industrial relations" the continuing to take the rap.

• In the crisis which brought forth the Emergency Strike Control bill, however, enough legislative steam was generated to pass the Case bill which, along with machine designed to settle labor disputes, contains a number of provisions designed to make collective bargaining work more effectively by creating a better balance between the forces involved. Such are provisions making unions liable for the fulfillment of their collective bargaining contracts, subjecting that peculiarly devastating weapon, the secondary boycott, to antitrust law treatment, and removing foremen from the scope of the Wagner Act.

The Case bill pulls from organized labor only a few of the props of special privilege which many people think must be pulled before the forces involved will be so balanced that collective bargaining will have a chance to work well. It makes a cautious, experimental start in that direction, however, and in so doing is directed to the fulfillment of President Truman's firmly announced purpose to rely on collective bargaining to maintain sound industrial relations. This bill the President vetoed, however, while pleading for legislation which basically worked against his policy.

• In spite of the President's veto of the Case bill, there is much reason to believe that a start by others toward effectuation of his purpose will not be long postponed. After all, 255 congressmen, all but five of the necessary two-thirds, voted to override his veto on the eve of the campaigns for reelection. That vote bespeaks an informed confidence in a public demand for corrective labor legislation which we do not believe will long be successfully denied.

In the meantime, however, it is a sorry sight to see the President building up such a perfect record of accomplishment in moving in reverse on his primary postwar objective in handling labor relations. Those now trying to concoct a legislative goulash of the Emergency Strike Control bill and parts of the Case bill which the President will find palatable enough to sign should take care that they don't inadvertently start going in the same general direction.

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